Austria	Sch 22	Indonesia	Rp 3100	Portugal	Esc 100
Bahrain	Din 0.650	Israel	NS 3.50	S. Arabia	Rls 6.00
Belgium	BFr 49	Italy	L 1600	Singapore	S$ 4.10
Canada	C$1.00	Japan	Y600	Spain	Pta 125
Cyprus	C£0.75	Jordan	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 9.00	Kuwait	Fils 500	Sweden	SKr 8.00
Egypt	E£2.25	Lebanon	£L 50.00	Switzerland	SFr 2.20
Finland	Fmk 7.00	Luxembourg	LFr 48	Taiwan	NT $35
France	FFr 6.50	Malaysia	Rie 4.25	Thailand	Bht 50
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 0.800
Greece	Dr 100	Morocco	Dh 6.00	Turkey	L 500
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U A E	Dh 6.50
India	Rup. 16	Norway	NKr 7.00	U S A	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,262 — Thursday June 18 1987 — D 8523 A

UN tackles 'plague' of world drug abuse, Page 14

World news — Business summary

Gulf state power struggle continues

A power struggle within Sharjah, one of the United Arab Emirates, was unresolved as Sheikh Sultan bin Mohammed al Qassimi – the ruler until yesterday – flew back to the Gulf from London where he had been on holiday.

The television station of neighbouring Dubai reported that he had been deposed and replaced by his elder brother and his wife said in London that he had been overthrown. Page 4

Mass surrender

More than 1,000 communist guerrillas surrendered on Mindanao island, southern Philippines, and exposed an elaborate left-wing provisional government that collected taxes in the villages. Page 4

Israeli air raids

Israeli aircraft attacked bases used by Palestinian and radical Shia Moslem guerrillas in southern Lebanon, the Israeli army said.

Indian poll violence

Eleven people were injured when violence erupted during state elections in Haryana, northern India. A Congress (I) Party supporter opened fire on opponents in one incident and three Congress Party supporters were thrown on to blazing vehicles elsewhere.

Panama strike ends

Business and opposition leaders in Panama ended a nationwide strike and urged the Government, in return, to lift a six-day-old state of emergency.

Commander shot

Two Indian Army soldiers shot dead their regimental commander, his deputy, the regiment's adjutant and a captain in Arunachal Pradesh, north-east India.

Corsican killing

Corsican separatists shot dead a French settler – the president of an anti-independence group – hours after the French Interior Minister vowed to stand firm against separatist violence.

Chernobyl clean-up

Decontamination work has been abandoned at 27 villages in the evacuation zone around the Chernobyl nuclear power plant.

W. German unity

West Germany commemorated Unity Day – but seemed divided about the significance of the annual day of remembrance of the East German uprising of June 17 1953. Page 3

Colombia ambush

Suspected leftist guerrillas ambushed a military convoy and killed at least 29 government soldiers in southern Colombia.

Fresh Seoul battles

About 50,000 students and citizens fought with riot police in clashes throughout South Korea as authorities decided to advance university holidays in the hope of reducing political turmoil. University term, Page 4

Spanish beach alert

More than 860 extra police and civil guards – including roving bomb squads backed by helicopters – will patrol Barcelona and beaches in the Catalan region of north-east Spain this summer, to protect tourists.

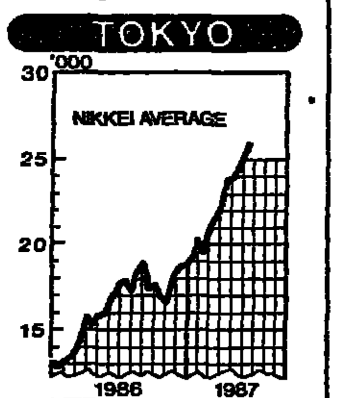
Anti-AIDS group

A right-wing pressure group called for "wartime conditions" to be imposed on people's sexual freedom in Britain to stamp out AIDS. Homosexuality would be outlawed again and contraception made available only to married couples.

Fiat to take over Lucas units

FIAT, Italy's major automotive group, is to take over Lucas Industries' vehicle lighting operations in Italy and the UK where 1,600 are employed at Cannock and Telford in the west Midlands region of England. Page 14

FIRST BOSTON CORP, prominent Wall St securities house, is to disband its "proprietary fixed-income desk," effectively admitting its inability to control or analyse the risks of trading certain new kinds of financial instruments for its own account. Page 15



TOKYO: Expectations of an economic revival led share prices to a record close. The Nikkei average rose 190.56 to 25,929.42. Page 36

WALL STREET: The Dow Jones industrial average closed unchanged at 2,407.35. Page 36

LONDON: Selective domestic institutional buying drove equity prices to another record close in an otherwise lacklustre session. Gilts firmed. The FT-SE 100 index closed up 11.4 at a new peak of 2,320.4 and the FT Ordinary index was 7.2 up at 1,801.7, also a record. Page 32

GOLD fell in London to $452.50 from $452.75. In Zurich it also fell to $451.25 from $453.55. In New York the August Comex settlement was $451.80. Page 24

DOLLAR closed in New York at DM 1.832; SFr 1.525; FFr 6.1145 and Y145.05. It fell in London to DM 1.8255 (DM 1.8260); SFr 1.5180 (SFr 1.5205); FFr 6.0950 (FFr 6.0975); but rose to Y144.65 (Y144.40). On Bank of England figures the dollar's exchange rate index was unchanged at 101.9. Page 25

STERLING closed in New York at $1.6265. It fell to $1.6335 ($1.6350); DM 2.9825 (DM 2.9850); SFr 2.4800 (SFr 2.4850); FFr 9.9550 (FFr 9.9700), but rose to Y236.25 (Y236.00). The pound's exchange rate index rose 0.2 to 73.0. Page 25

OXFORD INSTRUMENTS' shares fell on news of disappointing results and a forecast of lower profits for the current year from the UK high-technology group. Page 15

BERGEN BANK, Norway's third largest commercial bank, reported a 6.7 per cent increase in operating profits to NKr 381 ($56.6m) in the first four months of 1987 with NKr 357m in the corresponding period last year. Page 16

AEROSPATIALE, French state-owned aircraft manufacturer, is to receive a FFr 2.5bn ($410.5m) capital injection from the government over the next three years. Page 15

ALLEGIS: Plans by new management to break up the Chicago-based travel conglomerate have run into trouble amid disagreements between key labour groups over the extent of employee ownership of the group's United Airlines subsidiary. Page 15

LOSINGER, Switzerland's leading construction company which is half-owned by Enserch of the US, reported a reduction in net losses from SFr 9.2m to SFr 4.5m ($2.96m) for 1986. Page 16

DEGUSSA, West German precious metals group, is to join up with International Platinum Corp of Toronto to explore for platinum-group metals in North America. Page 16

TOKYO AND OSAKA stock exchanges called for tougher controls on insider trading in Japanese markets with backing from the Securities Dealers' Association. Page 18

Academic named as SEC chairman for Wall St clean-up

BY RODERICK ORAM IN NEW YORK

PRESIDENT Ronald Reagan has nominated Mr David Ruder, a leading securities law professor, to the chairmanship of the Securities and Exchange Commission, the regulatory agency at the forefront of the crackdown on Wall Street's scandals.

The three-month search for a replacement to Mr John Shad, who is to become US ambassador to the Netherlands, has taken far longer than expected because of false starts and indecision in the White House about the type of person required.

The initial approach was to find a strong enforcer to clear up Wall Street in the aftermath of the Ivan Boesky insider trading affair and other abuses of securities laws.

The job was offered to Mr Rudolph Giuliani, the US Attorney for Manhattan who has led the Boesky and other investigations, but he turned it down. He said he had unfinished work as US Attorney and would like to run for elected office.

Next the White House sought unsuccessfully to persuade a Wall Street elder statesman to take the job. Rumoured candidates included Mr John Whitehead, Deputy Secretary of State and a former co-chairman of Goldman Sachs, a top investment bank, and Mr George Gould, Under Secretary of the Treasury, and a former chairman of Donaldson, Lufkin & Jenrette, a middle-ranking securities dealer.

Lastly, the Administration turned to academics of whom Mr Ruder was one of three short-listed. He is considered one of the leading authorities on several aspects of securities law including regulation and enforcement. He is on the faculty of Northwestern University's Law School in Chicago and believes in strong regulation where appropriate to ensure fair working of the markets.

His confirmation hearings before the Senate are unlikely to be controversial although he will be questioned closely on major issues facing the securities industry such as shareholder voting rights, corporate takeover regulation and the internationalisation of markets.

The White House has nominated a leading theoretician to the chairmanship of the Securities and Exchange Commission at a time when the regulatory agency is trying to find practical ways to curb the greatest abuses on Wall Street in decades.

His colleagues suggested yesterday, however, that his extensive experience outside academia has equipped him well for his new job. He worked part-time as a counsel for a major Chicago law firm in the 1970s, has organised for many years a respected annual symposium of securities lawyers and served for four years on the New York Stock Exchange legal advisory committee.

Moreover, he is credited with good administrative skills which he used to enhance the reputation of Northwestern University's Law School during his time as dean from 1977 to 1985. He also spearheaded a $25m fund raising drive for a new home for the school in downtown Chicago. Like several other top private law schools, Northwestern is relatively small with 600 students and 42 faculty members.

"Anyone who can handle a law school's professors will get on fine in Washington," said Mr Al Summers, a Washington lawyer who has known Mr Ruder for 25 years and served with him on the New York Stock Exchange.

Continued on Page 14

Lt Col Oliver North

Irangate witness will 'go public'

By Lionel Barber in Washington

LT COL OLIVER NORTH, the star witness in the Iran-Contra affair, says he will tell his long-awaited story in public next month but refuses to give private testimony to the House of Representatives and Senate committees investigating the scandal, the investigators said yesterday. However, his refusal to co-operate with the committee exposes him to possible contempt proceedings.

Lt Col North is fighting a court battle with Special Prosecutor Lawrence Walsh in an attempt to avoid testifying before the grand jury which is part of Mr Walsh's criminal inquiry. Lt Col North has remained silent about his role in the affair since the Iran scandal broke late last November.

Sen Daniel Inouye, the Hawaii Democrat who chairs the Senate select panel, said he would recommend that both the House and Senate committees waive their right to contempt and agree to question Lt Col North in public session, most likely in mid-July. Sen Warren Rudman, the Republican vice-chairman, agreed.

Lt Col North was due, like all previous witnesses, to give a private deposition to the committee's lawyers in preparation for public testimony.

However, lawyers for Lt Col North contended that it would infringe his Fifth Amendment right against self-incrimination. But this week he was granted limited immunity from prosecution by a court which, in turn, compels testimony to the committee. Limited immunity means that his testimony cannot be used against him by the Special Prosecutor.

Sen Inouye's announcement on Lt Col North's intentions came one day after President Ronald Reagan said "there ain't no smoking gun" in the affair, in effect denying any knowledge of a memo prepared by Lt Col North which outlined a plan for diverting profits from Iran arms sales to Nicaraguan Contra rebels.

Commission in bid to secure levy on oils

BY TIM DICKSON IN LUXEMBOURG

THE EUROPEAN Commission made a last-ditch effort yesterday to force through its controversial proposal for a tax on oils and fats at a meeting of Community agriculture ministers in Luxembourg.

The tax is designed to raise about Ecu 2bn ($2.28bn) in a full year through a levy on all imported and domestically produced vegetable and marine oil. The proposal has been denounced angrily by the US and by developing countries, who claim that it will hit vital exports to the EC.

The US has threatened to provoke a new transatlantic trade war if the measure is approved.

The proposed regime would run for just over two years from this October and could be modified or scrapped by EC ministers thereafter.

The list of products subject to the tax could be changed if there was evidence of distortion, and compensation for loss of markets would be negotiated with traditional third-country suppliers if the tax proved prejudicial.

US officials monitoring the farm talks were alarmed by the proposal and by speculation that some member states previously opposing the plan might alter their stance.

At least four EC countries – more than enough to constitute a blocking minority – were last night understood to have strong reservations about the plan.

West Germany remains resolutely against, along with Britain, despite the willingness of Mr Ignaz Kiechle, Bonn's Agriculture Minister, to consider the proposal. Mrs Britta Schall Holberg, Denmark's Agriculture Minister, indicated that she still has serious objections while Mr Gerrit Braks, the Dutch minister, is also understood to be against the proposal.

A controversial scheme to crack down on Far Eastern, and particularly Japanese, use of low-cost assembly plants in the European Community to avoid anti-dumping duties was finalised by EC ambassadors in Brussels. The proposal would extend anti-dumping duties from imported products to embrace their components. Page 14

Last night, some observers insisted that the proposed tax and the complex ideas for reforming the Community's agri-monetary system – fiercely opposed by West Germany – would be passed on to heads of government at the EC summit at the end of the month.

The tax – or stabilisation mechanism as officials in Brussels prefer to call it – has been put forward as a means of meeting the growing cost of the EC oilseeds sector.

Generous subsidies in the 1970s encouraged a big expansion in the production of rapeseed, sunflower seed, soya and olive oil, and the recent fall in world prices has sharply increased the size of the "deficiency" payments made to farmers.

It is estimated that spending on the sector could jump to Ecu 6bn per annum when Spain and Portugal, two major olive oil producing member states, come fully into the regime in the early 1990s.

The initiative put forward by the Commission yesterday sought to allay the fears of those who believe

Continued on Page 14

Moody's may cut rating of Japanese bank debt

BY ANATOLE KALETSKY IN NEW YORK

MOODY'S Investors Service, the influential US credit rating agency, is reviewing the debts of four leading Japanese banks with a view to possible downgrading.

In making its announcement yesterday, Moody's also published an admonitory report on the Japanese financial system in general, drawing attention to the risks of deregulation and speculative excesses.

The Moody's review, which covers Bank of Tokyo, Long Term Credit Bank of Japan, Mitsubishi Trust and Sanwa bank, is unlikely to have much direct effect on the banks' funding costs.

All but the first of these banks currently enjoy the highest possible rating, Aaa, while Bank of Tokyo is ated one category down at Aa1, and it would be unusual for Moody's to reduce its rating by more than one notch.

However, yesterday's announcement, with its accompanying report, could have considerable symbolic importance since it comes at a time of growing anxiety in the US investment community about what Moody's calls the "speculative excesses" in the Japanese financial system and even the economy at large.

Moody's points to several changes in the financial markets which have "highlighted the weaknesses" of Japanese banks and "may create significant new risks:"

- The liberalisation of the financial system is blurring the distinctions between banking and the securities industry and allowing major borrowers to bypass the banking system altogether.
- The objectives of bank regulation are changing, with less emphasis on stability and more on competition and self-regulation.
- The quality of bank assets is declining as Japanese banks move aggressively into new markets, while large, financially strong corporations go directly to the capital markets, bypassing the banks. This has left banks holding a disproportionate amount of "troubled credits" in industries such as shipbuilding, heavy manufacturing and shipping.
- A growing proportion of bank lending to large corporations is financing financial arbitrage, real estate and securities transactions. Meanwhile, lending to small companies generally uses real estate and securities as collateral. The "credit culture" in Japanese banks has not yet developed an appropriate degree of sophistication to cope with these new types of lending, Moody's comments.
- Bank profitability has always been low in Japan. Because of deregulation, it is now increasingly susceptible to foreign exchange and interest rate instability.

Continued on Page 14

US firm on missiles

BY ROBERT MAUTHNER IN LONDON

MR Paul Nitze, President Ronald Reagan's chief arms adviser, repeated yesterday that Washington would not accept the inclusion of West German Pershing 1A missiles and their US-controlled warheads in the proposed deal with the Soviet Union to eliminate intermediate range nuclear weapons from Europe.

Although Mr Nitze's remarks, made during a news conference beamed by satellite to Western Europe, were no more than a restatement of the official US position, they underlined the sharp disagreement on this subject between Washington and Moscow.

Mr Viktor Karpov, the chief Soviet arms negotiator, repeated earlier in the day the Soviet demand that the 72 warheads had to be included in the deal and flatly rejected Nato's view that the 750-kms range Pershing 1As were "third party" systems outside the scope of the US-Soviet talks in Geneva.

The US position violated the principle of the socalled "double zero" option proposed by Mr Mikhail Gorbachev, the Soviet leader, for the abolition of both longer and shorter-range intermediate nuclear forces (INF) in Europe.

The Nato countries gave Mr Gorbachev's plan a conditional "green light" at last week's meeting of the Alliance's Foreign Ministers

International Thomson wins bid battle for leading UK publisher

BY RAYMOND SNODDY IN LONDON AND BERNARD SIMON IN TORONTO

INTERNATIONAL Thomson Organisation, the Canadian publishing, travel and oil company, yesterday won the battle for Associated Book Publishers, one of Britain's leading legal publishers.

The winning International Thomson recommended offer values the share capital of ABP at nearly £210m ($343m) or 730p a share. Since news of a bid approach at the beginning of this month ABP's share price had risen from 265p to 705p by Wednesday night.

Mr Michael Brown, ITO's New York-based president, conceded yesterday that the purchase of ABP "was not a cheap deal." But he said the price was justified on long-term grounds.

"Come the 1990s, people will wonder how we got it so cheaply," Mr Brown said.

ITO, which is controlled by the family of Lord Thomson of Fleet, has been trying to buy ABP for nearly 10 years as part of its strategy of expanding its specialised publishing business in North America, Britain and Australia.

The acquisition will make ITO one of the world's leading law book publishers.

ITO was alerted to the fact the company might be for sale when ABP announced that the Eyre Family Trust, which controls 36.65 per cent of the equity, had received a bid approach. The company was Gulf and Western, the parent of US publishers Simon & Schuster.

In the end ITO put in a higher bid than either Gulf and Western or the other suitor Pearson, publishers of the Financial Times.

Apart from offering the most money, ITO also had the support of the ABP board for its bid.

ITO has purchases or undertakings covering 36.9 per cent of the shares bought at 730p a share. The offer is conditional on the Canadian company getting enough acceptances to give it more than 50 per cent.

Shareholders are being offered 730p in cash for each 20p ordinary ABP share.

Mr Michael Turner, deputy chairman and managing director of ABP said yesterday "under International Thomson's wing ABP and its staff will enjoy opportunities far beyond those which we could command independently."

ITO executives are coming to London next week to begin talks on the future of ITO although the present management are to be retained.

No decision has been taken yet on the future of ABP's general publishing imprints such as Methuen and Routledge & Kegan.

In the past ITO has sold off general publishing companies such as Michael Joseph.

The purchase of ABP will be financed by a combination of cash, bank debt and the proceeds of a recent preferred share issue.

CONTENTS

GREEKS READY TO THROW OFF ECONOMIC RESTRAINT

Prime Minister Andreas Papandreou fears the end of austerity measures may not mean the end of economic problems. Page 2

Moscow and Peking vie for attention of Eastern Europe

BY LESLIE COLITT IN BUDAPEST

SOVIET AND Chinese leaders are engaged in a direct and novel competition for the attentions of Moscow's allies in Eastern Europe.

The Soviet Foreign Minister, *Mr Eduard Shevardnadze*, arrived in Hungary yesterday as China's Prime Minister and acting party leader, Zhao Ziyang, spent his third day in Budapest. He is on a tour of five East European countries, the first by a Chinese leader since the ideological split between Moscow and Peking in 1961.

Hungarian officials could not recall the last time that senior Soviet and Chinese politicians were present together in an East European country. They said, however, that there were no plans for a meeting in Budapest of the two men.

Chinese and Hungarian flags lined the Margaret Bridge between Buda and Pest while Soviet and Hungarian flags were displayed on the road Mr Shevardnadze took from the airport into Budapest. He was in Budapest on an official "friendly visit" to discuss relations with Hungary which launched eastern Europe's first economic reforms in 1968.

The Chinese leader, meanwhile, had his second round of talks with Mr Janos Kadar, the Hungarian leader, who was also scheduled to confer with the Soviet Foreign Minister.

A Chinese-Hungarian economic protocol was signed yesterday and trade is set to expand strongly. China is seen as a potentially important market for Hungarian industrial products and Zhao visited the country's largest engineering company in Gyoer.

He has already visited Poland, East Germany and Czechoslovakia and is to leave Budapest for Bulgaria today. As if to emphasise the competitive but peaceful nature of the two rival leaders' tours of Eastern Europe, Mr Shavardnadze began his round of East European visits in Bulgaria.

Western and Eastern diplomats in Budapest said there was no question of China trying to woo Eastern Europe away from its alliance with the Soviet Union. Instead the Chinese were taking advantage of Moscow's efforts to improve relations with Peking in order to restore China's economic, government and party links with Eastern Europe which had remained dormant since the early 1960s.

Visit of Iran PM serves only to embarrass Turkey

BY DAVID BARCHARD IN ANKARA

IRAN'S Prime Minister, Mr Mir Hussein Mousavi, flew home yesterday after a two-day official visit apparently aimed at boosting the morale of Islamic fundamentalists in Turkey.

He aroused a storm of protest in the Turkish press by refusing to visit the tomb of the founder of modern Turkey, Kemal Ataturk, and instead making an impromptu visit to the central Anatolian town of Konya, the main stronghold of Islamic fundamentalism in Turkey. He told Turkish reporters that it would have been "hypocrisy" for him to visit Ataturk's grave.

The leader of the opposition, Professor Erdal Inonu, who is the son of Ataturk's closest associate, led a protest delegation which laid a black wreath outside the Prime Minister's office.

Apart from embarrassment the Turkish Government appears to have got little or nothing out of the visit. The volume of trade between the *two countries may rise to $2bn* this year—though such agreements have not been lived up to in the past—and a Turkish engineer being held hostage by Kurdish guerrillas in Iran has been set free. Turkey has agreed to buy up to $70m of Iranian non-oil exports. Meanwhile, a controversial decree bringing the governorship of the central bank under direct government control went into force yesterday

The decree strips the governor of much of his independence and authority and has been widely criticised.

Karamanlis: evidence

Karamanlis attacks UK over Cyprus

By Our Athens Correspondent

BRITAIN'S ROLE during the 1974 Cyprus crisis which led to the occupation of over one-third of the island by Turkish troops and the collapse of the Greek junta has been criticised by Mr Constantine Karamanlis who took over as Prime Minister of Greece after the dictatorship's fall. Mr Karamanlis who became President in 1980 retired from political life two years ago.

In testimony submitted to a special parliamentary investigative committee on the Cyprus crisis, which was made public yesterday. Mr Karamanlis accused Britain of having failed to fulfil its obligations as a guarantor of Cyprus independence, in not having acted to prevent the Greek junta coup against the government of Archbishop Makarios on July 15 1974, and the two-stage Turkish invasion of Cyprus which followed on July 20 and August 14.

"The British Government would have the obligation as guarantor power but also the means through its forces on the spot to discourage both the coup against Makarios and the Turkish invasion, neglected this duty and confined itself to diplomatic initiatives,"

Britain maintains two sovereign military bases in Cyprus.

Mr Karamanlis also revealed that on August 15 1974, Greece asked Britain to provide air cover for the despatch of Greek troops to Cyprus, but the request was refused by London which judged the proposed military mission to be "ineffective and dangerous."

Andriana Ierodiaconou reports on the piecemeal success of the austerity programme

Shortfall wipes the smile off Greek faces

MENTION THE date December 31 1987 in Greece these days and the response is likely to be either a smile or a wince.

The smile is on the face of Greek workers, who have it on the assurance of the Prime Minister, Dr Andreas Papandreou, that the date will mark the end of the painful economic stabilisation programme introduced by the Socialist Government 18 months ago at the cost of a sharp drop in popularity.

The programme hinges on a tight incomes policy which reduced real pay by about 8 per cent in 1986 and is expected to generate a fall of a further several percentage points this year. It is described as a landmark by the draft Organisation for Economic Co-operation and Development economic survey on Greece completed at the end of April.

"For the first time in the post war period the Greek population, a largely consumer-oriented society accustomed to continuous steep rises in standards of living, was forced to make immediate and large sacrifices notwithstanding strong labour union opposition," the OECD notes.

The wince, OECD praises notwithstanding, tends to come from the economic experts managing the stabilisation programme who are troubled by the knowledge that, firstly, the targets set for 1987 are in no danger of being met, and secondly, that even if they were, there would still be deep-seated imbalances in the Greek economy which would require effort and sacrifice well into the future.

The primary problem by common consent is Greece's largely wasteful and inefficient public sector, which has mushroomed since the end of the 1970s. At the same time, however, the draft OECD report notes a "puzzling" weakness in the Greek private sector, which for the most part failed to profit either from the rapid growth in state spending on goods and services or from the opportunities afforded by European Community accession in 1981. Significantly, since 1979 the private sector's contribution to annual output is estimated to have run at close to zero since 1979.

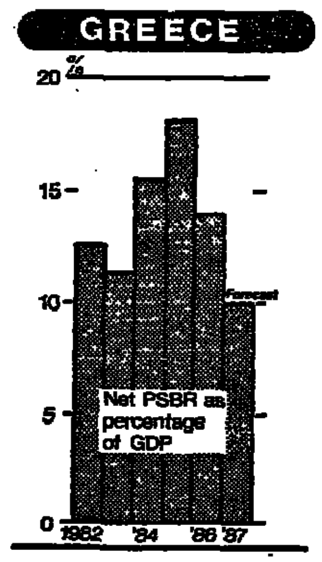
The Government's stabilisation meansures, helped by the fall in oil prices, succeeded in reducing the net public sector borrowing requirement to some 14 per cent of gross domestic product in 1986, from 18 per cent of GDP the previous year. However, dizzying deficits totalling hundreds of billions of drachmas carried by public sector enterprises, mainly the state social insurance funds and Olympic Airways, continue to pose formidable constraints on the 1987 target of reducing the public sector borrowing requirement to 10 per cent of GDP.

Economy Ministry officials describe the social insurance funds deficits as "by definition intractable"—meaning that any attempt to limit pensions or health coverage would be politically costly and contrary to the Socialists' social welfare platform.

At the same time they say there is no margin for boosting revenue through further price rises for public sector services —a hefty package of increases taking in Olympic Airways tickets and electricity and telecommunications rates was announced to stormy public and trades union protest in April.

"We will have to cut down somewhere else—and we will, both in the regular budget and in the public investment budget. But we don't hide the fact that we are worried," one official said.

The primary problem by common consent is Greece's largely wasteful and inefficient public sector, which has mushroomed since the end of the 1970s. At the same time, however, the draft OECD report notes a "puzzling" weakness in the Greek private sector



The Economy Ministry is also keeping an eye on the increasingly precarious target of reducing December on December consumer price inflation from 17 per cent at the end of 1986 to 10 per cent this year. Officials say they have now revised their original estimates of 2 per cent rise in the consumer price index as a result of the introduction of value added tax on January 1, to 3 to 3.5 per cent, and cite additional factors such as the effect of last winter's freak low temperatures on farm produce prices to explain the overshooting of the inflation target in the first quarter of the year when, according to the OECD, the year on year increase in consumer prices was running at 16 per cent.

At the Bank of Greece, officials are worried not only about the progress of the public sector deficit, but also about a continued high dependence for its financing on the banking system. State commercial banks are blamed in part for having failed to promote effectively enough tax free marketable Treasury bills and ECU-linked bonds through which the authorities had hoped to raise Dr 160bn towards this year's PSBR. The Bank of Greece annual report on the economy for 1986 released in April warned that "unless this is done the attainment of the monetary targets (for 1987) will be difficult."

Bank of Greece officials say they are facing a "serious dilemma" as to how to make up the shortfall, with the most likely solution being the diversion to the public sector of funds earmarked for small and medium sized manufacturing enterprises and investments through compulsory commercial bank reserves with the central bank.

They are equally concerned about the balance of payments following the release of four-month figures showing a current account deficit of $1.217bn, against an overall deficit target of $1.25bn for 1987.

One of the most worrying developments reflected by the figures is that of a widening of the trade deficit by 11.8 per cent relative to the January to April period last year, reflecting a 23.6 per cent increase in non-oil import costs, only partly offset by 15.6 per cent increase in overall export earnings.

According to the Centre of Research and Studies, a non-government research organisation, export earnings, which reached a high $5bn last year will at best remain level in 1987, reflecting low demand in Greece's main markets and a loss in competitiveness due to thet effective dismantling of the first of this year of a long-standing system of state subsidies for exports

In addition, the centre estimates that an export rush to beat the January 1 deadline in the last three months of 1986 will acount for a $300m to $400m loss in export revenue this year. Greek industry's dependence on state protectionism is cited by the OECD as one factor accounting for the weakness of the private sector. According to the centre the effect on exporters of the elimination of subsidies "is like that on an African tribe obliged to go from one day to the next from the bow and arrow to the computer."

Looking ahead to 1988, government officials say that despite a planned easing of incomes policy with the aim of "a small real increase in pay," stabilisation efforts will largely continue. "Maintaining the existing incomes policy is neither economically nor politically feasible. But that doesn't mean that from January 1 1988 there will be a free for all—we don't want to lose what we have gained in 1986 and 1987," one official remarked. His words might temper the smile of Greeks anxiously awaiting December 31. But they would seem to carry the only chance of putting a smile on the face of the Greeks of the future.

Athens seeks ways to narrow economic gaps in EC

BY OUR ATHENS CORRESPONDENT

GREECE IS to propose measures to narrow the gap between more and less developed European Community member states, in light of the intention to set up a single European market by 1992.

The proposal, unveiled in Athens yesterday, is to be discussed at a meeting of EC foreign ministers in Brussels next Monday. According to the Greek Minister for EC affairs, Mr Theodore Pangalos, Athens' views on economic convergence enjoy the broad support of the southern EC member states, such as Spain, Portugal and Italy.

The driving argument of the Greek proposal is that existing economic inequalities within the Community will be made even greater by the dismantling of barriers to free trade. Thus existing Community policies, such as those relating to capital, transport, or small- and medium-sized businesses, must be adapted and new policies designed in such a way, as to promote the development of disadvantaged member states.

In addition, the financial resources of the structural funds must be increased and regional inequalities taken into account more effectively in their allocation. Reform of the Common Agricultural Policy (CAP) must consider the special problems of the Mediterranean area

Finally, the proposal calls for the preferential treatment of poorer member states, for example through the granting of special low interest rates and extended grace periods on European Investment Bank loans. EC members with balance of payments problems, a category which includes Greece, should be allowed a transition period before the full liberalisation of capital movement.

Corsica faces upsurge in terror

By Paul Betts in Paris

THE FRENCH Government is facing a new upsurge of separatist violence in Corsica following the killing of a leading anti-separatist figure on the troubled Mediterranean island.

Dr Jean-Paul Lafay, a veterinary surgeon and active anti-separatist campaigner, was shot dead by extreme Corsican nationalists after taking part in a local television programme in Ajaccio, the Corsican capital late on Tuesday night.

The outlawed Corsican separatist movement Front de Liberation Nationale de la Corse (FLNC) claimed resonsibility for the killing which came a few hours after the end of a stormy three-day visit to Corsica by Mr Charles Pasqua, the French Interior Minister.

Corsican nationalists had earlier walked out of the island's regional assembly to protest against Mr Pasqua's presence. Separatists subsequently managed to infiltrate a tight security cordon to disrupt a speech by the French Interior Minister in the main square of Ajaccio.

Mr Pasqua in his usual colourful and eloquent style had chided the separatists describing them as "cowardly gangsters."

The shooting a few hours later of a leading anti-separatist personality was immediately seen as a new direct challenge by the Corsican nationalist extremists against the Paris central government.

The latest upsurge in terrorist violence in Corsica prompted a firm response from President Mitterrand who declared during a cabinet meeting yesterday that all legal methods must be put into place to discover and punish the culprits of the latest killing.

He added that efforts had to be stepped up to unite the nation and calm spirits. Mr Pasqua also reaffirmed the government's commitment to fight terrorism.

The resurgence of terrorist violence in Corsica comes at a particularly delicate time for the Mediterranean island with the imminent advent of the summer holidays.

Separatist terrorism has caused serious damage to Corsica's tourist industry.

French prices rise by 0.2%

By George Graham in Paris

FRENCH RETAIL prices rose by 0.2 per cent in May, the government statistical office, Insee, announced yesterday. The moderate rise brought the year on year rate of inflation down to 3.4 per cent from 3.5 per cent a month earlier.

The Finance Ministry said the fall had cut the gap between French and West German inflation rates to 3.2 percentage points, and that it expected to reduce it further to 2 percentage points by the end of the year.

FINANCIAL TIMES

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Pressure grows on UK to back research plans

BY QUENTIN PEEL IN STRASBOURG

THE European Parliament and the European Commission yesterday sought to step up the pressure on the British Government to lift its veto on the Ecu 5.7bn (£4bn) joint EC research programme in the aftermath of the UK election.

Both Mr Karl-Heinz Narjes, the Commissioner responsible, and Mr Michael Poniatowski, chairman of the European Parliament research and technology committee, called on Mrs Margaret Thatcher, the British Prime Minister, to accept the compromise programme when she attends the EC summit in Brussels on June 29.

All 11 other member states have agreed to a financial package which falls well short of the Ecu 10.35bn originally sought by the Commission, but is still much more than the Ecu 4.2bn which the UK has hitherto been prepared to accept.

The programme is intended as a framework within which specific research co-operation schemes—such as the Esprit information technology projects, and the Race broad band telecommunications research programme—can be fitted. The finance would be an upper limit for such schemes until 1991.

Britain has already been attacked fiercely by MEPs and Commissioners for refusing to accept the compromise—particularly as it would be a significant net beneficiary from the co-operation projects.

"Do they really know what they are doing?" Mr Narjes asked the Parliament. He said the failure to agree on the programme had given rise to "damaging, harmful tensions," but it was impossible to go ahead with only 11 in favour, when unanimity was required.

"I hope that the answer will lie in the summit," he said.

Mr Poniatowski said that the best hope of the Parliament was that "now the elections have taken place in the UK, one of the first actions of the new government will be to approve this compromise in turn."

MEPs believe that the departure of Mr Geoffrey Pattie, the former minister responsible for Information Technology and therefore the research programme, from Mrs Thatcher's Government should make a British climbdown easier.

Mr Amedee Turner, the British Conservative MEP who has been one of the leading campaigners to change the UK position, said there was "every reason for their coming to a settlement before the summit." Otherwise Mrs Thatcher would come to the talks "with a most embarrassing burden, if that is the first thing on the agenda when she gets there."

However, the British Tories were noticeably reticent yesterday in criticising their government—apparently for fear of upsetting any imminent decision.

OECD presses Iceland to tighten grip on economy

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE ICELANDIC economy is expected to expand significantly this year with a growth in gross national product of some 3.5 per cent following a jump of 6.2 per cent in 1986.

The Organisation for Economic Co-operation and Development says in its latest report on Iceland, however, that the current account will slip back into deficit this year, and it warns strongly of the danger of a "renewed acceleration of the cost-price spiral".

The OECD urges greater commitment to tight fiscal and monetary policies and calls for the adoption of a more effective anti-inflationary strategy.

Iceland has been plunged into political uncertainty since the general election in April which ended inconclusively, and several weeks of talks between the main parties have failed to reach agreement on a workable coalition.

The country's economic performance has fluctuated wildly, and in 1983 real incomes fell by 12 per cent as the centre-right Government began to implement a stabilisation programme aimed at reducing inflation which was running as high as 130 per cent in the early month of the year.

In 1985 and 1986 Iceland's fortunes improved dramatically helped by an unusual set of favourable circumstances, which allowed real disposable incomes to increase by 10 per cent a year.

Real GNP has grown by nearly 9.5 per cent in the past two years and there was a jump of 12.5 per cent in gross national income against a background of rising fish catches, lower international interest rates and a marked improvement in the terms of trade with a reduced oil bill and rising fish prices.

The inflation rate last year was the lowest since the first oil shock with prices during the course of the year rising by 13.5 per cent compared with 36 per cent in the course of 1985.

The OECD says, however, that as a result of the 1987 wage settlement nominal per capita earnings are officially expected to grow by 22.5 per cent this year with an increase of 8 per cent in real disposable incomes, rises "far in excess of developments in other OECD countries."

With a very tight labour market—the unemployment rate is below 1 per cent—the OECD is concerned that wages will rise faster than officially forecast, which will put additional inflationary pressures on the current account, business profitability and the exchange rate.

The base of the economy remains narrow, it says, and the scope for reducing dependence on traditional industries is limited, which leave Iceland "vulnerable to external disturbances."

NATIONAL EXPENDITURE

Year-to-year percentage changes in volume*

	1983	1984	1985	1986†	1987‡
Private consumption	−8.3	3.0	5.0	6.5	5.0
Public consumption	5.5	0.1	6.2	3.9	3.0
Gross fixed investment	−12.3	8.9	1.0	0.0	4.1
Final domestic demand	−6.8	3.8	4.3	4.6	4.4
Exports of goods and services	10.3	3.0	11.0	10.0	3.0
Imports of goods and services	−5.7	9.3	9.7	6.5	1.5
GNP at market prices	−5.7	3.0	3.1	6.2	3.5

*Constant (1980) prices. †Estimate. ‡Forecast.

OPPOSING VIEWS ON REUNIFICATION UNDERLINED

West Germans at odds over Unity Day

BY DAVID MARSH IN BONN

WEST GERMANY yesterday commemorated Unity Day, but the country is seemingly split as never before about the significance of the annual day of remembrance of the East German uprising of June 17, 1953.

Opening in the Bundestag the traditional hour-long ceremony marking the anniversary, Mr Philipp Jenninger, the Bundestag president, sharply criticised the current trend in public trend in public opinion questioning the state's constitutional duty to seek eventual reunification of the two German states.

Pointing out that "our countrymen (in East Germany) suffer much more than we do from the division," Mr Jenninger took aim at people who claimed Unity Day was a sign of "a living lie, self-deception or schizophrenia."

This seemed to be a direct and unusually strong rebuff to the mass circulation left-leaning illustrated magazine, Stern which this week said nobody believed any more in reunification and that the holiday should be abolished.

Mrs Dorothee Wilms, newly-appointed Minister for inner-German relations, said on television on Tuesday evening that "freedom of all Germans is the condition for the unity of Germany."

Preserving and creating "common interest" between the people of East and West Germany would guide Bonn's policies as long as the nation remained divided, she said. The goal of "common interest" was backed up by Bonn's efforts to win more freedom for East Germans to travel to the West as well as though attempts to forge more economic, environmental and technical co-operation.

Mr Hans Buechler, a spokesman for the opposition Social Democratic Party on relations with East Germany, yesterday clearly distanced the SPD from the overriding goal of unity, saying liberty was the main priority.

Dr Dorothee Wilms

He pointed out that German unity forged under Bismarck in 1871 was not the "normal case" of German history. "It has to be asked whether the solemn call for a reproduction of the German national state corresponds to the wishes and yearnings of people of today, or whether (it) is not more suited to disturbing the process now beginning towards more freedom in the area under communist power," he said.

Many West Germans made use of the day off to head for south-pointing motorways on annual holiday pilgrimages to escape the teeming rain.

But in the Bundestag, Prof Fritz Stern, an American historian from Columbia University, who was this year's guest speaker at the Unity Day ceremony, delivered a searching and uncomfortable address suggesting that West Germans should use the day to ponder on the merits—and the possible temptations—of their new-found democracy.

Prof Stern (61), born of Jewish parents in Breslau in what is now Poland, fled Europe as a 12-year-old in 1938 to escape the Nazi progroms. Recalling that he had lost several close relatives in Auschwitz, he said yesterday "I come from a Germany which no longer exists—and never will again."

His speech was made before a well-attended chamber, including Chancellor Helmut Kohl, President Richard von Weizsaecker, and most of the cabinet. He said that in spite of West Germany's post-war democracy, "a whiff of worry" hung over the country. Referring to the reform process of Mr Mikhail Gorbachev, Mr Stern said "an alluring wind from the East" was blowing at a time of "disillusionment" in West Germany.

But he pointed out that freedom was more treasured in countries like East Germany which did not have it than in democratic countries. West Germans had to be on their guard to ensure that the post-war spirit of reconciliation with the West was maintained.

Waldheim to see Pope in Rome

PRESIDENT Kurt Waldheim, barred from the United States because of alleged links to Nazi atrocities, will have an audience in the Vatican with Pope John Paul next week on his first trip abroad since election a year ago, AP reports from Vienna.

The Vatican said Dr Waldheim would pay an official visit on June 25. Such visits usually include a private meeting with the Pope, a public exchange of speeches and a ceremony playing national anthems. Dr Waldheim, a practicing Roman Catholic, will be accompanied by Mr Alois Mock, the Foreign Minister.

Nations 'arm both sides' in Gulf War

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

NO FEWER than 27 countries have supplied both sides in the Iraq-Iran war with weapons or other support since the war began in September 1980, the Stockholm International Peace Research Institute (Sipri) claimed yesterday.

From 1980 to 1986 arms or support were sent from 53 countries to Iraq or Iran, 13 more nations than in the previous three years, with 27 supplying both sides compared to only 10 previously.

At the end of 1986 — the year proclaimed by the United Nations to be the International Year of Peace — there were 36 armed conflicts in progress around the world with an estimated 5.5 million soldiers from 41 countries, a quarter of the world's nations, directly involved in the fighting.

The latest facts on a world at war are contained in the 1987 yearbook on World Armaments and Disarmament

By far the most bloody and costly current conflict is the Iraq-Iran war, which has become "one of the most significant conventional wars of the century," says the institute. It has already lasted longer than the Korean War or either world war and has resulted in more deaths and destruction than all the Arab-Israeli wars combined. Sipri calls it "potentially the most dangerous conflict in the world today" holding out the possibility of a superpower confrontation.

The year book catalogues in detail the flow of arms to both sides in the war, which has "demonstrated that national boundaries or political ideology mean little in the arms trade business."

French weapon deliveries to Iraq since September 1980 have been estimated at values as high at $5.9bn, which would make it the largest supplier to either side, says Sipri. In late 1986, however, US officials claimed that China's $3bn worth of arms to Iraq, plus $1bn to Iran, made it the number-one arms supplier in the war. Iraq's other major suppliers include the Soviet Union and Egypt.

Sipri says that Iran has not had the reliable sources, especially of modern weaponry, that Iraq has, but that it has still found many willing suppliers. It is estimated to have imported about $9bn in weapons since 1980.

The Iraq-Iran war has produced around 1m casualties—350,000 dead and 650,000 injured

● Sir Geoffrey Howe, Britain's Foreign Secretary, was urged by the opposition Labour Party yesterday to make clear whether the UK has collaborated with the US in providing Blowpipe missiles to the Afghan rebels.

ADVERTISEMENT

INSIDE CORPORATE STRATEGY

Pohjola Group:

Welcome to the Casino

"One of the greatest weaknesses of the Finnish economy has been the lack of a speculative element in the capital market," says Pentti Talonen, General Manager of the Pohjola Group.

Talonen believes the time for passive investment is past, and Pohjola has funds to invest. Its latest victories: five more percentage points of the booming life assurance market, and reinsurance back in the black.

by Patrick Humphreys, Nordic Communications Corporation

Pohjola's Talonen: Restoring public faith in life assurance

"I must admit that it's not altogether very desirable for one company to hold more a market share of more than about a third," says Pentti Talonen apologetically. The Pohjola Group holds nearly 33% of employment pension insurance and has just boosted its share of the life assurance market to 49%.

Life assurance has been growing briskly in Finland: total premium income rose by almost a quarter last year. "After the war, Finland's high inflation rate wiped out the value of many policies because the life assurance companies had made most of their investments in the form of loans," Talonen explains. Now public confidence in the value of life assurance policies as a form of savings is recovering.

"The first step to restoring confidence was complete indexing of all life assurance and savings policies. Then we overhauled our range of policies and began marketing them strongly. The results have been quite exceptional. Our rising share is simply due to the fact that Pohjola companies have been the most innovative." Pohjola was the first Finnish insurance company to be awarded a triple A rating by Standard and Poor's Corporation.

Turning reinsurance around

Even reinsurance, the bane of so many companies, is finally showing profits. Pentti Talonen claims Pohjola realised back in 1982 that there was no point trying to wait out the depression in prices. "The fundamental reasons, excess US insurance capacity and low premiums, were not going to go away, and we had to trim back our exposure." The series of losses was halted last year "though we would have had reinsurance back in profit in 1985 if we hadn't increased our reserve against losses."

Healthy premium income has made Pohjola a major investment force. As the only Finnish insurance company currently quoted on the stock exchange it is also a popular investment itself. "We own a larger portfolio of shares in quoted Finnish companies than any other organisation, and they are better-than-average shares. For this reason buying a Pohjola share is like buying a range of Finnish equity."

The same reasoning has appealed to foreign investors, barred from buying restricted stock. Insurance companies are exempted from the legislation that restricts the proportion of Finnish equity that can be held by foreign nationals. Of registered Pohjola shares some 26% were held by foreigners last year and, because registration lags somewhat, Talonen estimates that the rate today is about 30%. "In fact, of the capital that Finnish companies have raised abroad in the past two or three years, Pohjola has raised almost a third."

Booming portfolio

Pohjola shares had the highest turnover of any stock on the Helsinki exchange last year: the turnover of 'A' and 'B' shares combined was 1.1 billion Finnish marks. Adjusting for a bonus issue, 'A' shares finished the year 66% higher and 'B' shares 34%.

The rise in average Finnish stock market prices and turnover has been very fast," notes Talonen. "But I am confident it has not peaked. Share price averages and the volume of trading are still modest compared with many countries. I'm not predicting what kind of cyclical movements there will be along the way, but there's definitely room for more growth."

Pohjola's General Manager believes in the capital market, and the enhanced level of Finnish share prices spells a new turn in Pohjola's investment strategy. "So far, equity investment in Finland, and as practiced by this company, has been to buy and to hold. This is still the situation because real productive and material values have been below market price. But as prices improve, selling becomes more realistic. Our aim is not pure speculation but there is going to be a speculative element in place of passive ownership."

Pentti Talonen feels dire warnings about the growth of a casino economy are out of place. "Of course if the speculative economy loses touch with the real economy, then things have gone too far, but Finland is very far from that point. So far our capital market has been quite devoid of speculative elements and this has been one of the weaknesses of our economy.

"The principal role of the capital markets is to channel finance into the firms and projects where the yield is greatest. When the markets are not active—when there's no 'casino'—the mechanism for providing funds to the top yielding projects will not function properly. Compared with the point Finland has been at, the emergence of speculation deserves a warm welcome"

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Key statistics, financial year ended 31 December 1986

Premium income	FIM 6,135 million
Claims incurred	FIM 5,282 million
Operating result	FIM 342 million

Ruler of Sharjah abdicates over debt difficulties

BY RICHARD JOHNS

A STRUGGLE for power in the Gulf state of Sharjah, which could profoundly shake the United Arab Emirates, loomed last night as Sheikh Sultan bin Mohammed al Qassimi – the ruler – flew back to the Gulf, apparently to contest a takeover of the state by his elder brother.

Sheikh Sultan's wife, Jawaher, who was contacted in London, said her husband had been overthrown, according to Reuter. "He has been replaced by his brother. I don't know anything more about it," she said.

Earlier in the day, the official UAE news agency (WAM) based in the federal capital Abu Dhabi had quoted Sheikh Sultan, as saying that he had abdicated in favour of Sheikh Abdul-Azis, his 50-year-old brother, who was passed over at the time of the last succession crisis in 1972.

Sheikh Sultan, however, is understood to have been in London for the past two weeks and the validity of the statement attributed to him was immediately contradicted by the state television service of neighbouring Dubai which said he had been deposed by Skeikh Abdel-Aziz.

Diplomatic observers said that the Dubai TV transmission indicated disapproval by the Emirates' ruling family – the Al Maktoums, who have a long history of rivalry with the Al Qassimi of Sharjah – of any such take-over. The WAM report, meanwhile, seemed to signal the blessing of Abu Dhabi, the dominant member and paymaster of the federation, for such a change.

Sheikh Sultan's destination was believed to be Dubai. He was understood to be flying in his own private aircraft.

The statement attributed to him by WAM said: "Mistakes were made in planning our financial policy . . . accordingly damage has developed and debts accumulated in our budget."

Sharjah airport was closed to air traffic last night, according to reports from Dubai. At the same time, the Dubai Defence Force and some Mirage aircraft of the federal air force were said to be on alert.

On the strength of a small oil revenue and a significant gas discovery Sharjah, which has the biggest indigenous population of all the Emirates, borrowed heavily up to 1985.

It has debts in the name of Sheikh Sultan of about $1bn and has been defaulting on repayments.

The abdication statement carried by Wam agency is understood to have been delivered to the Abu Dhabi controlled news agency by Sheikh Sagr, another of Sheikh Sultan's brothers.

Sheikh Sultan is unique among his peers in the Gulf in having had higher education. He studied agriculture at Cairo University

Bofors former agent in Delhi to be prosecuted

BY JOHN ELLIOTT IN NEW DELHI

LEGAL proceedings have been started by the Indian Government's law enforcement directorate against Mr Win Chaddha, the former agent in New Delhi for Bofors of Sweden which has been accused of making secret payments to Indian middlemen linked with a $1.4bn gun contract.

This is the first legal action taken by the Indian Government over the politically embarrassing allegations. A case has been filed against Mr Chaddha, who has left India for an unknown destination.

The move was announced yesterday at a meeting with opposition MPs by Mr Rajiv Gandhi, the Prime Minister. He and Mr K. C. Pant, Defence Minister, also rejected proposals that the contract should be cancelled, saying that the Indian army needed the weapons for defence against neighbouring Pakistan.

Mr Gandhi has denied allegations by an opposition MP that he and "his friends" received some of the Rps 500m (£25m) sum involved.

Mozambique wins long debt rescheduling

By George Graham in Paris

MOZAMBIQUE has won the gentiest terms ever accorded to a developing nation for the rescheduling of its external debt.

Western creditor nations meeting in the Paris Club this week have agreed to reschedule Mozambique's government - to - government debts over an unprecedented period of 20 years.

The rescheduling forms part of a new initiative by the Paris Club to help the poorest and most heavily indebted countries, especially those in Africa, by granting them more favourable terms for their debt repayments. The main concession was to relax the Paris Club rule limiting reschedulings of official debt to 10-year periods.

The first country to benefit was Zaire last month, which had $800m of its debt rescheduled over a period of 15 years, with a six-year grace period.

Earlier this week, Mauritania won a rescheduling over the same timespan, though with only a five-year grace period.

For Mozambique, with a total external debt estimated at $3.2bn, an even longer respite was seen to be necessary. Bank analysts working in Paris describe the country's financial position as catastrophic, with three-quarters of its agriculture - dependent economy wiped out by civil war.

Negotiations with Mozambique's commercial bank creditors in the so-called London Club, however, are understood to have reached stalemate.

Mozambique rebel attacks

MOZAMBICAN right-wing rebels said today they killed 39 government troops in a series of attacks this week.

The Mozambican National Resistance (MNR) said in a statement distributed in Lisbon that it shot dead 24 government soldiers on Tuesday in attacks on and near the Nacala railway linking Malawi to the Mozambican coast.

S. AFRICAN REPORT URGES 'REHABILITATION' FOR YOUNG BLACK OFFENDERS

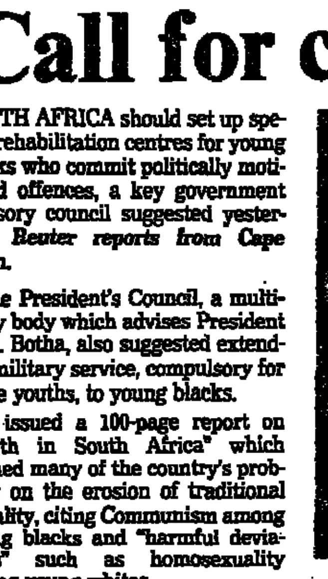
Call for crackdown on black youth

SOUTH AFRICA should set up special rehabilitation centres for young blacks who commit politically motivated offences, a key government advisory council suggested yesterday, Reuter reports from Cape Town.

The President's Council, a multiparty body which advises President P. W. Botha, also suggested extending military service, compulsory for white youths, to young blacks.

It issued a 100-page report on "Youth in South Africa" which blamed many of the country's problems on the erosion of traditional morality, citing Communism among young blacks and "harmful deviations" such as homosexuality among young whites.

It advocated "the extension of military service or other forms of training for young people where the emphasis is to foster discipline", saying this could solve "many social problems... especially for young black people."



Mr Pieter Botha

Black youths have spearheaded three years of protest violence against apartheid race segregation and the black majority's exclusion from parliament. Thousands have been detained in ordinary jails under emergency laws.

The report recommended setting up "training and rehabilitation centres for intimidators and politically motivated juvenile delinquents."

The aim would be "not only to foster in them meaningful ideals, but also to protect orderly and peace-loving members of the community from their acts of intimidation and terror."

The report said the country's youth – just over half the population is under 25 – was at risk from the erosion of Christian values which it was the state's duty to preserve.

Mr Botha's National Party has a majority on the Council, whose reports often form the basis of legislation.

The report suggested toughening censorship – already strict by Western standards – on portrayals of sex and violence.

It said black moral standards are threatened by overcrowding and unemployment in the townships, and the weakening of family ties through the migrant labour system. It did not mention that until last year apartheid laws barred many black men from bringing their families with them to the cities.

Moral problems are compunded by anti-apartheid clergy, it said, adding: "Clergymen are encouraged ... to join the Communist chorus ... while these 'political clerics' themselves live in relative comfort and luxury, travel world-wide and inter alia fan the flames of hysterical anti-South Africanism."

Pledge to continue Vietnam 'purification'

NGUYEN Van Linh, the Vietnamese Communist Party chief, said yesterday, that Vietnam will continue to "purify" and reorganize the party and state so they can effectively carry out urgent economic and social reforms, according to the country's official media, AP reports from Bangkok.

Linh also criticized corruption that he said had spread to "all levels" of the party, government and bureaucracy. Inadequate laws also have impeded implementation of the economic reforms, he told the opening session of the New National Assembly.

The Vietnam news agency, which carried Linh's keynote speech, did not announce any leadership changes. But it said the 496-member body will "elect the organs of state leadership and high-ranking state leaders" during its weeklong session.

Widely expected to announce their retirements at the session are Phan Van Dong, 79, who has been premier since 1955, and President Truong Chinh, 80, who has been at the pinnacle of power for decades.

They resigned their top party posts at last December's party congress. Their retirements from Government would strip the senior leadership of the last revolutionaries who helped Ho Chi Minh found the Communist Party in 1930 and then guide it through five decades of turmoil.

Linh's speech was incompletely monitored because of reception problems. In it, he said the party congress had offered solutions to serious social and economic instability, but added that these could not be implemented without changes in organization and personnel.

After the party congress made economic reformer Linh the Party Secretary General, Vietnam announced a major cabinet reshuffle in February. The younger technocrats elevated to the Government and to the National Assembly in the April 19 elections were supposed to push forward economic reforms based on decentralization of management, material incentives and limited private enterprise.

In addition, over the past year, authorities have purged, disciplined, and tried in court numerous lower level officials accused of corruption, inefficiency and sloth.

"Since the Congress, the party and state have focused on making structural and personnel adjustments in central and local offices," Linh said. "Only when order and discipline are re-established in the party and all state bodies will we be strong enough to re-establish order and discipline in society."

Egyptian banks feel the squeeze

BY TONY WALKER IN CAIRO

BANKS IN Egypt are being squeezed by new foreign exchange regulations which are making it virtually impossible for clients to raise hard currency to repay loans dating from before the regulations were introduced.

Bank representatives say the effective closure of the black market in Egypt has shut down a traditional source of funds for private-sector importers who secured billions of dollars annually in the market to fund their activities.

The Government aimed to draw sufficient funds into the banking system to satisfy demand. Bankers report demand is exceeding supply.

At the same time, there is no provision in the new system for mainly private-sector businessmen to secure funds to service loans incurred before May 12, when the new regulations were introduced.

Central bank officials are denying there are plans to reschedule local private-sector debt of about $2bn (£1.6bn), including money owed to foreign currency branches—those authorised to deal exclusively in foreign currency—which totals $600m-$700m.

Egypt introduced exchange-rate reforms under pressure from the IMF. The reforms established a new competitive rate for the Egyptian pound which more accurately reflects its market value against foreign currencies.

Rebels give up Philippine fight

More than 1,000 communist guerrillas surrendered yesterday and exposed an elaborate underground provisional government in the southern Philippines, Reuter reports.

It was the first time in the 18-year guerrilla war that communist rebels had surrendered en masse and exposed a leftist shadow government that collected taxes in the villages, Mrs Felicidad Pimentel, Surigao del Sur governor, said.

Seoul plans to end term early for universities

THOUSANDS of students and citizens battled teargas-firing riot police across South Korea again yesterday as authorities decided to advance holidays at some universities in the hope of reducing political turmoil, Reuter reports from Seoul.

Authorities said about a dozen universities would end classes prematurely and go into summer vacations from tomorrow to prevent student demonstrations, after they refused to site end-of-semester examinations.

More than 30 other universities are considering similar measures, according to university sources.

Altogether, police said, some 50,000 protesters, mainly students, staged campus and street protests across the country.

In the south-east port Pusan, some 350 students stormed a Roman Catholic centre, defying hundreds of riot police, to demand the resignation of President Chun Doo Hwan, witnesses said.

They said the students were among more than 5,000 protesters who attacked police with stones and petrol bombs, set fire to police vans and occupied the main streets of South Korea's second largest city. Similar clashes were reported in Chinju, near Pusan.

About 1,000 students, after a violent street clash, occupied a section of an expressway, hijacked two chemical gas trucks and threatened to blow them up if police did not release 29 colleagues arrested earlier.

Police later overpowered them without incident and detained several.

Witnesses said street violence also erupted in Taejon, a central town traditionally free from dissident activties.

AP adds from Singapore: Mr George Shultz, the US Secretary of State, yesterday urged an end to demonstrations in South Korea and resumption of talks between the Government and its opponents. But he also said, "we cannot snap our fingers" and expect a settlement.

"We believe that discussion between the various contending parties about the structure of the election and so on should be started up and pursued," Mr Shultz told reporters traveling with him on a 10-day trip to Asia.

Reagan acts to speed Costa Rica peace plan

PRESIDENT Ronald Reagan, the US leader, was yesterday due to hold talks with President Oscar Arias of Costa Rica in a hurriedly arranged meeting caused by the postponement of a Central American summit due to be held next week in Guatemala.

The US President's surprise move appeared to have been prompted by the White House's need to be adopting a more understanding stance towards the Central American peace plan initiated by the Costa Rican President, and to head off criticism for having sabotaged the summit meeting.

President Arias is in the US having been invited to a seminar in Indianapolis and was due to see Mr George Bush, the US Vice-President, in Washington today.

However, he was personally called by Mr Reagan on Tuesday inviting him to a meeing at the White House to discuss his peace plan.

President Arias has voiced scarcely concealed dismay over sudden objection from the US's main allies in the region, El Salvador and Honduras, that the summit has been insufficiently prepared – objections which have forced a postponement probably until early August.

President Arias launched his peace initiative in February and for more than two months the summit had been fixed for June 25.

The Reagan Administration has refrained from giving formal backing to the plan which calls for a ceasefire throughout the region, democratic elections and an end to foreign support for insurgents.

President Reagan is still seen as determined to press ahead with his demand for more funds from Congress to support the anti-Sandinista "contra" rebels in September.

However, in the light of the recent Irangate hearings this task has become increasingly difficult and he is under pressure to adopt a more conciliatory position.

The US Senate has backed the Arias plan in a 97-1 vote and a number of congressmen regard it as a more viable alternative than the four nation Contadora plan put forward more than four years ago.

Walter Heller: Economist of the Great Society

PROFESSOR Walter W. Heller, chief economic adviser to Presidents Kennedy and Johnson, who died of a heart attack aged 71 this week, was in many ways the intellectual father of modern US economic policy-making.

For three years — 1961 to 1964 — he built up a team of talented economists who laid the theoretical foundation of the Democrats' Great Society.

Heller was a disciple of Keynes. The high point of his career came with the historic tax cut of 1964, in the face of a federal deficit. This set off the longest period of sustained growth in US history.

When inflation began to accelerate during the Vietnam war, however, Mr Heller advocated tax increases. President Johnson ignored him, whence an overheated economy spurred the runaway inflation of the 1970s and put the economics of the 1960s into disrepute.

Mr Heller was born at Buffalo, New York state, in 1915, the son of German immigrants. His father was an engineer and mathematician.

Mr Heller went in 1947 to Germany, where he worked for the US military administration. He ventured in 1951 as an official of the Marshall Plan.

His introduction to national politics came when he was a professor of economics at the University of Minnesota and Senator Hubert Humphrey introduced him to Senator John Kennedy, during the latter's presidential campaign of 1960. Kennedy hit it off with Heller and, after his election, asked him to come to Washington.

After his retirement, he returned regularly to the capital. He was an economist who had an affinity with power, and knew how to apply it practically.

Tim Coone reports on the power struggle between the Argentine government and the labour movement

Divide and rule puts Alfonsin at mercy of the unions

THE headquarters of the Argentine General Confederation of workers (CGT) in Buenos Aires is a symbol of the country's most powerful working class organisation. Its imposing concrete façade is plastered with posters and spray-painted slogans.

Inside, rooms are furnished sparsely with worn-out chairs and desks and patchy cigarette-burned carpets. A lock is smashed on one of the doors and a window is broken and patched with newspaper.

Argentine trade union politics are tough, frequently uncompromising and, when all alse fails, violent. Militants of both right and left took up arms during the violence of the 1970s. The country's unions are widely recognised as the most organised and powerful in Latin America and although weakened by political in-fighting, they are a potent force that can wreak havoc with an economic policy, as President Raul Alfonsion has discovered in three and half years of government.

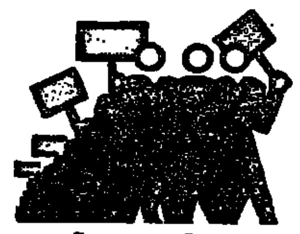
Approximately half the economically active workforce of 8m is unionised and there are almost 1,500 unions, ranging from the powerful Metalworkers Union (UOM) with some 290,000 members, to tiny unions of a few hundred workers.

Practically all the unions are affiliated to the CGT. It is headed by the militant Mr Saul Ubaldini, its general secretary, who has organised eight general strikes against the Government since it came to power in 1983.

Internationally, the CGT is affiliated to the Social-Democrat oriented International Federation of Free Trade unions. Nationally, however, the CGT reflects the main divisions within the opposition Peronist Party, named after General Juan Domingo Peron. He introduced the country's first major labour reforms after the Second World War and wrested control of the trade union movement from the dominant Communists and anarchists by brute force and judicial manipulation.

The unions became responsible for the provision of health care, recreation and vacation facilities for their members through tripartite support from the state, employer and employees. The funds, known as Obras Sociales (social works) have been the subject of great controversy. The military government of 1976 took control away from the unions and its return is one of the principal demands of the unions in the negotiations with the government over a social contract.

This will be a key feature of a new packet of union legislation being considered. The continuing disagreement between the Government, unions and employers over the proposals dashed President Alfonsin's hopes of presenting the social contract as a consummated fact to the International Labour Organisation in Geneva during his visit to Switzerland last week. Failure to pass the legislation in the form desired by the unions may trigger the eventual resignation of Mr Carlos Alderete, the new Labour Minister who was appointed from union ranks last April.



Argentina

One of the key factors in the power of Argentina's unions has been their nationwide organisation and the strong centralised control exerted by their leadership. Workers' union dues are usually deducted at source by the employer and paid into the union's main bank account, which gives it enormous leverage over the regional branches.

The Argentine unions are thus predominantly centrist and nationalist, powerful bureaucracies with which managements are used to negotiating.

According to Mr Daniel James, a Yale University Professor, a specialist on the Peronists and Argentina's trade union movement: "The unions have historically preferred to negotiate for full employment rather than high wages. Full employment means more members, which brings greater income for the union and subsequently greater economic and political power to wield within Argentine society." This in turn has led to chronic overmanning and low productivity and slowed the pace of technological change. Managements have been willing to accede to such policies, as long as the government of the day have in turn been prepared to provide tariff protection to domestic industries facing stiff competition from more efficient overseas producers.

PRINCIPAL TRADE UNIONS AND MEMBERSHIP IN ARGENTINA

Metal workers (VOM)	287,000
Commercer workers (CEG)	279,000
Bank Employees (AEB)	185,000
Teachers (CTE)	180,000
Government employees (UPCN)	133,000
Construction workers (UOC)	111,000
Hospital workers	98,000
Food and restaurant workers (UTG)	80,000
Textile workers	74,000
Meat packers	70,000

Source: El Periodista Magazine

The problem for the unions and the Peronist politicians who rely on the urban working class vote, is that the post-war rise to power of the Peronists was associated with the redistribution of huge surpluses accumulater during the war.

As one Peronist-turned-Communist pointed out though "The world has changed. Argentina is now a major debto to the world instead of a creditor. Production is less than in the early 1970s and there is greater competition both between unions and between employers and employees for the share-out of what is essentially a smaller cake." For the Communists, this is the raw material of revolutionary politics and another chance to radicalise the trade unions.

For the industrialists, Government and conservative union bureaucracies, it is a reason to bury differences and unite against a possible resurgence of the left.

For this reason the CGT itself is divided. The unions with the big industrial muscle and large memberships such as the UOM have largely managed to ride out the government's austerity since mid-1985. Members of the smaller unions and the state-sector unions, however, have been hardest hit. Mr Ubaldini represents the latter and his militancy has been supported by precisely those hardest hit sectors.

The Government's strategy has been to try and play off one sector against the other. Mr Alderete represents a group of more conservative and traditionally powerful unions (referred to as the Group of 15) that wants to regain control of the CGT and especially the Obras socialies and the patronage this provides.

Thsi group is the core of Argentina's union bureaucracy, representing the heavyweights of the private manufacturing sector. If the Government can tie it to a no-strike agreement by returning control of the obras socialies to the unions, it can hope to hold Mr Ubaldini at bay for the rest of the year and in the longer term even undermine his leadership of the CGT.

Without its own trade union base, the radical party in government has opted for a divide and rule strategy with its formidable union opponents. So far it has had some success. The question is whether this will eventually be at the expense of other cherished radical policies such as industrial, bank and union reform, where the unions have a strong interest in retaining the status quo.

The Government is walking a dangerous tightrope, and a failure of the social contract could turn the full weight of union power against it.

Revised US GNP figures show 4.8% rise

By Lionel Barber in Washington

THE US economy grew at an unexpectedly strong rate of 4.8 per cent in the first quarter, according to revised figures from the Commerce Department yesterday.

This compares with an earlier estimate of 4.3 per cent for the first three months of 1987, which most private economists said could not be sustained for the rest of the year. Much of the growth represented swelling of inventories.

Most analysts see GNP growth this year at between 2.5 per cent and 3.5 per cent. The Administration predicts 3.2 per cent.

Corporate profits fell 3.9 per cent in the first quarter, not 5.5 per cent as initially reported.

Koch warns against vigilantism

THE ACQUITTAL of New York subway gunman Mr Bernhard Goetz on attempted murder and assault charges does not mean the city tolerates people who take the law into their own hands, the mayor Edward Koch said yesterday, AP reports from New York.

"Some may be apprehensive that the verdict is a signal that vigilantism will be condoned. They are wrong," Mayor Koch said in Nashville, Tennessee, where he was at a meeting of mayors.

"Vigilantism must be condemned and those who have engaged in such acts must be punished to the fullest extent of the law," he said after Tuesday's verdict.

A lawyer for one of the four young men Mr Goetz shot in a subway car called the verdict "indescribably tragic" and good news for bigots, but the district attorney accepted the jury's decision and said it was not racist.

The four victims are black. Mr Goetz is white.

Mr Goetz shot the four young men during an alleged robbery attempt aboard a subway train in December 1984. The victims said they were begging for money to play video games they intended to burglarize.

Mr Goetz and his supporters – who include many blacks – denied that the shooting had to do with race. But his detractors – who include many whites – said he would have fired less quickly had his targets been white.

Mr Goetz, 39, was acquitted of attempted murder, but a jury convicted him of a felony for possessing an unlicensed revolver. He faces penalties ranging from no jail time at all to seven years in prison.

The legal system may have had its doubts about his shootings of the four young men he said were about to rob him, but the great majority of New Yorkers and other Americans apparently did not share the prosecutors' skepticism.

When Current Affair, a program on television, asked viewers last week to register their opinions on the Goetz case, 3,349 said he was guilty – and 32,016 said he was innocent, and should go free.

There was widespread interest in Mr Goetz's fate from the first reports of the shootings through the last days of his trial. At the courthouse, more than 200 reporters, photographers and technicians awaited the verdict.

Nearby, street-wise entrepreneurs peddled t-shirts bearing the slogan, "he who takes, Goetz it."

In the end, even the jurors who acquitted him of attempted murder, assault, reckless endangerment and three of four weapons counts asked for his autograph.

Throughout the trial, Mr Goetz said nothing.

Brazilian stock markets greet austerity with surge

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL'S financial institutions have responded euphorically to the austerity package of Mr Luiz Bresser Pereira, Finance Minister, introduced on Friday.

The stock markets surged by near record levels in hectic trading on Tuesday, with the Bovespa index in São Paulo closing 21.5 per cent up. This rise was surpassed only at the imposition last year of the price freeze in the cruzado plan.

Expectations of lower inflation also forced down interest rates. The Central Bank led the reduction with a 10 percentage point cut in its monthly Letras do Banco Central instrument, to 19.8 per cent a month. The LBC is viewed as a base rate by the private banking sector.

Despite the positive reaction in the markets and abroad, however, business people and trade unions were meeting yesterday to hammer out coherent response to the package. Brazilian supermarkets have continued to mark up prices, officially frozen on Friday, in the absence of a new table of legal maximum.

São Paulo state's powerful employer federation, Fiesp, called on members to gauge reaction and seek clarification from the government on details of the price and wage freeze. Leaders of the left-wing union federation, the Central Unico dos Trabalhadores (Cut) were drawing up plans for a one-day national general strike to protest against lost real earnings and to demand a presidential election.

WORLD TRADE NEWS

US oil import tax condemned by Gatt panel

BY WILLIAM DULLFORCE IN GENEVA

A REPORT from a disputes panel condemning a discriminatory US levy on oil imports was adopted yesterday by the Council of the General Agreement on Tariffs and Trade (Gatt). The council's approval puts the onus on the US to amend its Superfund Act.

Passed by Congress last October this imposed a two-tier levy on petroleum to help finance a $9bn hazardous-waste clean-up programme. Imported petroleum and derivatives are taxed at 11.7 cents a barrel against 8.2 cents a barrel on domestic crude oil.

Complaints by the European Community, Canada and Mexico that this differential contravened Gatt's article III were upheld by the panel. The article stipulates that imports cannot be subjected to higher internal charges than those applied to domestic products.

Mr Mike Samuels, Deputy US Trade Negotiator, told the council that the US authorities would examine the panel's findings carefully. But, officials said, no decision has yet been taken in Washington to introduce amending legislation. Previously, the US has complied with recommendations by the Gatt Council.

During the panel hearings, however, the US argued that the tax differential, equivalent to $0.0002 a litre, was so insignificant when compared to daily changes in contract prices for oil, that its commercial effect would be minimal or nil.

It is thus just possible that the Reagan Administration may choose to let the three complainants seek Gatt approval to take retaliatory action. To secure approval, they would have to prove damage.

The EC and Canada had also complained about a tax on chemically-derived imported substances introduced in the Superfund Act. This would be applied from January, 1989.

Here the panel sided with the US, noting a statement by the US that the penalty rate would in all probability never be applied.

Nancy Dunne adds: A spokesman for the US Trade Representative said the Administration has not yet decided whether or not to go to Congress to ask for a revocation of the oil import fee.

If injury is found to have occurred, then the US might choose to pay compensation.

Rolls-Royce wins £70m aero-engine contracts

By Michael Donne, Aerospace Correspondent

ROLLS-ROYCE has won orders worth up to £70m for its RB-211-535E4 engines for Boeing 757 twin-engined airliners from two airlines.

Air Europe, the UK scheduled and charter operator which recently announced an order for five more 757 jets, has selected the Rolls-Royce engine for those aircraft, in a deal worth more than £50m.

Air Europe was recently awarded a substantial network of short-haul scheduled service routes in Western Europe, which it will start flying later this year, and the new aircraft will be used on those routes.

International Lease Finance Corporation of the US, which recently ordered two new Boeing 757 airliners for delivery next year, has also specified the Rolls-Royce engine, in a deal worth an estimated £20m.

To date, of the 19 customers that have ordered the Boeing 757, 14 have chosen the Rolls-Royce engine (the rival engine is the US Pratt and Whitney PW-2037) and some further major contracts are now being discussed with potential 757 operators.

US, Norway in talks on Kongsberg

BY KAREN FOSSLI IN OSLO

NORWEGIAN and US officials are planning to meet soon for discussions about the "damage done" by export of numerical control systems to the Soviet Union from Norway's industrial group, Kongsberg Vaapenfabrikk (KV), a state secretary in the Prime Minister's office has confirmed.

KV is under investigation for violation of Cocom regulations in its co-operation with the Japanese industrial concern Toshiba in their joint venture export of advanced electronic equipment to a shipyard in Leningrad which fabricates submarines.

It is alleged that the technology export gives the Soviet Union a considerable edge on current Western technology.

Sharp criticism has come from the US, and several congressional members have mounted a campaign to investigate the matter further. KV is currently vying for a position in the US Penguin defence missile programme and talks took place in early May between Norway and the US to defend KV's position.

Simultaneously, Norway's trade ministry proposes to tighten restrictions on the export of "strategic goods" to Communist bloc countries.

Trade Ministry officials would not be drawn on the suggestion that the new regulations stem from the Kongsberg affair and pressure from the US to tighten export regulation.

A report was recently issued by a Norwegian Governmental working group which suggested specific changes to current export rules and regulations.

It is expected that a tightening on the issue of export licences will be made, and that control by customs authorities will be increased.

The Trade Ministry also intends to increase its administration set-up to be able to enforce any new laws which may be implemented.

A proposition for increasing the legal sanctions against individuals and companies in violation of the export law is also expected.

Authorities in West Germany are also investigating the supply of advanced 20 mm firearms to Iran, from a company said to have used components supplied by Kongsberg.

● Nancy Dunne adds: The US Senate banking committee yesterday held hearings on the implications of the Toshiba-Kongsberg case.

Among those scheduled to be heard were Dr Paul Friedenberg, Assistant Secretary for Trade Administration in the Commerce Department, and Mr Steve Bryen, Pentagon Deputy Under-Secretary for Trade Security Policy.

Portuguese footwear exports up sharply

BY DIANA SMITH IN LISBON

PORTUGAL'S footwear industry increased exports by 25 per cent in volume and 36 per cent in value in the first quarter of 1986, according to the Association of Footwear Manufacturers.

Exports for January-March this year totalled 16.4m pairs of shoes worth Es 25.4bn (£111m), compared wtih 13m pairs worth Es 18.7bn in the same period of 1986.

Last year was another record year for the industry. Just under 47m pairs of shoes were exported, out of total production of 66.2m pairs. Total value of 1986 footwear exports was Es 74.8bn, up on the previous year.

The growth of Portuguese footwear in the past decade has been remarkable. In 1977, the industry exported just over 6m pairs of shoes, mostly to EC countries.

By 1982 markets had diversified to include the US and the Third World, and exports rose to 14m pairs a year.

The industry is the only area of Portuguese manufacturing where there is no unemployment, and in fact there is notable over-employment. Footwear jobs have grown by 12 per cent over the past decade.

Today, the industry, clustered in the districts around the northern capital of Oporto, employs 43,000 people. It has several training schools, and in a drive for a greater share still of a highly-competitive world market, is converting rapidly to mechanised production.

The industry has begun to internationalise markedly. Since Portgual joined the European Community last year, there has been a steady increase in the number of EC, Efta and other manufacturers who have bought majority shares in Portuguese footwear companies.

The Footwear Manufacturers' Association is now planning to display its wares twice a year in the US. In 1987 it expects to export goods worth Es 100bn

● Portugal's foreign investment institute and Sumitomo Bank of Japan which has just opened a Lisbon office, have signed an agreement aimed at promoting new Japanese investment in Portugal, including joint ventures.

Japanese may join US space programme

By Peter Bruce in Tokyo

THE JAPANESE may soon be making inroads into one of American technology's most jealously guarded fortresses—the US space programme.

Yesterday, Matsushita Electric, one of Japan's biggest consumer electronics groups, said it was close to striking a deal to make special semiconductors to be used in communications equipment for the National Aeronautics and Space Administration (Nasa).

It has also been confirmed that Matsushita Heavy Industries may soon begin exporting its LE5 rocket engine to McDonnell-Douglas, prime builder of the Delta rocket which has carried most US satellites into orbit.

Matsushita produces equipment under the National, Panasonic and Technics brandnames. It said it would sign an agreement this month with TRW, an Ohio-based engineering and aeronautics group, to supply it with a microchip capable of controlling a powerful laser communications system that TRW is developing for Nasa.

The Japanese group built up experience with laser-related semiconductors by developing and producing compact and optic disc players.

European Court outlaws Italian car restrictions

BY WILLIAM DAWKINS IN BRUSSELS

ITALIAN restrictions on parallel imports of cheap cars from other EC member-states were yesterday outlawed by the European Court of Justice.

The decision confirms an earlier court interim ruling against the Italian restrictions and is likely to strengthen a separate case being prepared by the European Commission against car import barriers being operated by the Spanish government.

Both moves are symptoms of the considerable barriers to free trade in cars that still exist between member-states despite the high political priority accorded by most of them to the creation of a genuinely free internal market.

The Italian restrictions arose three years ago in an attempt by the authorities to stop dealers re-importing cheap new Fiats originally sold in other member-states.

The main sources of supply were West Germany, Belgium, France and the Netherlands, where Italian cars could be bought for up to 20 per cent less than in Italy because of lower sales taxes.

These parallel imports reached 80,000 units — including non-Fiat cars — in 1984 before the Italian authorities attempted to clamp down on the practice by refusing to recognise roadworthiness certificates issued in other EC countries.

The Commission successfully argued that this contravened EC rules against restrictions on imports between member-states. Officials point out that so-called parallel imports are one of the few ways of introducing price competition when all EC car makers are allowed to operate exclusive distributorships in their own countries.

The Brussels authorities have decided in principle to take legal action against Spain for operating similar restrictions to protect its own car industry from competition from cheap imports from less heavily taxed EC partners.

Spain has, under pressure from the Commission, dismantled several barriers to parallel car imports. But internal market authorities are still not satisfied with Madrid's continued insistence that imported cars should comply with all security and safety rules implemented in each member state.

France steps up drive to sell arms to Jakarta

BY JOHN MURRAY BROWN IN JAKARTA

FRANCE is stepping up its sales pitch on arms to Indonesia, one of the key markets in the developing world.

A five-day visit to Jakarta this week by Gen Jean Saulnier, French Chief of Staff, is expected to cover a range of items from radar systems to the purchase of a new light tank.

At the same time Dr B. J. Habibie Indonesia's Minister for Research and Technology, is attending the international Paris Air Show.

France is still smarting from Indonesia's decision last year to buy the US F-16 supersonic fighter made by General Dynamics, in preference to Breguet Dassault's Mirage 2000, a deal worth $337m.

France is reported to have offered to cover all costs by combined offset and counter-trade deals to meet Indonesia's current budget austerity.

Paris is now setting sights on a radar contract for Eastern Indonesia. The French company Thomson Csf supplied the western region with its TRS-2215 network but this time faces stiff competition from Plessey of the UK, on a contract worth as much as $120m over five years. Plessey hopes Indonesia will seek to diversify supplies

Competition is also keen for the new light tank, with France out to replace its own AMX-13 built by Atelier de Construction Roanne, the model currently in use. Vickers of the UK is said to be offering its new FMC Mark 5 light tank.

Gen Saulnier yesterday visited the advanced flying school at Madiun and the shipyards at Surabaya. He also saw the Bandung factory of IPTN Inonesia's aerospace manufacturer, which assembles the Super Puma (NAS 332) helicopter under licence from Aérospatiale of France.

France is currently involved in a naval conversion of the Puma, highlighting again the importance of collaboration.

With a view to selling its new Hawk 200, British Aerospace and Rolls Royce, which in 198[illegible] sold 20 Hawk trainers, are now considering a similar joint venture with IPTN, so joining General Dynamics, Aérospatiale, Boeing, Messerschmitt and Casa of Spain in such joint ventures

Control Data to build plants in Singapore

BY ROGER MATTHEWS IN SINGAPORE

Control Data Corporation, the US computer and disc drive manufacturer, is to invest $25m in establishing two plants in Singapore.

This will be the company's first manufacturing centre outside the US and Europe, and is intended to provide the base for a major expansion in South-East Asia and the Far East.

Initially, the company will produce in Singapore its Wren half-height disk memory units with a storage capacity of 51.5m bytes, and its high-performance 3.5 inch drive which is still under development.

Volume production is scheduled to begin early next year. Company executives said yesterday they expected that output of the 3.5 inch disk would eventually exceed 2,000 units a day.

Control Data also announced that it would be building a second plant for the production of oxide media components.

Sweden and HK sign textile pact

SWEDEN and Hong Kong have signed a new five-year textile agreement, the Hong Kong Trade Department said, AP reports.

Under the agreement, restraints on Hong Kong exports to Sweden of track suits, shorts and corsets would be eased starting on September 1.

In addition, restraints would be removed on such items as overcoats and men's suits.

The current five-year agreement expires on August 31.

Kinnock begins fight-back with demand for unity

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, yesterday signalled the start of his party's fight-back from general election defeat. He called on the 229-strong parliamentary Labour Party to unite behind him and immediately set in motion the election timetable to choose his leading parliamentary spokesmen.

In a move designed to give Labour fresh, political momentum and to contain the influence of the new influx of left-wing MPs before it has time to consolidate support, Mr Kinnock intends to have his front-bench team in place within a month.

On July 1 Labour MPs will elect a new parliamentary manager. They will also decide on a replacement for Mr Jack Dorman, who retired at the election as chairman of the parliamentary party. That post is likely to be hotly contested.

Nominations are expected to include Mr Max Madden, a member of the hard-left Campaign group, *Mr Bruce Millan, the former* Scottish Secretary who may have Mr Kinnock's support, and Mr Stan Orme, a front-bench spokesman in the last parliament.

In a clear warning to his left wing to stay in line, Mr Kinnock yesterday told the first meeting of the new parliamentary party that it must not be distracted from its objective of winning the next general election.

There would be a "frank and practical" assessment of the party's poor election performance – something which was better done "inside the movement rather than in front of TV cameras."

Emphasising the need for unity, Mr Kinnock said it did not require great sacrifices or the abandonment of principles, but he urged that "every word, every action, every statement of policy, everything that we do, is geared to victory."

His call for a more effective parliamentary performance was given a rousing reception by his colleagues although *Mr* Dennis Skinner, the left-wing MP, said it was a "cheek" for the party leader to talk of distractions when he had gone on television to discuss the implementation of one-member one-vote for *the selection of constituency* candidates.

This rule change, which the party leadership is determined to introduce, was again raised yesterday by Mr Ken Livingstone, the newly elected Labour MP for Brent East

Pay action dilemma for civil servants

By Charles Leadbeater, Labour Staff

LEADERS of the two civil service unions involved in a rolling programme of regional industrial action over pay face stark choices after the Treasury decision not to increase its offer.

The breakdown of talks late on Tuesday night, after Mr Nigel Lawson, Chancellor of the Exchequer, insisted there would be no improvement in the 4.6 per cent pay offer made in April, means that the current programme *of industrial action* will continue.

However, it seems increasingly likely that the Civil and Public Services Association and the Society of Civil and Public Servants will find it difficult to agree a common strategy. The current industrial action, which will disrupt social security offices in Scotland today and tomorrow, is due to end in three weeks' time after further strikes in England.

The unions' executives will hold crucial meetings next week.

Mr John Ellis, CPSA general secretary, said there was growing support on the union's executive for an indefinite strike.

Mr Leslie Christie, general secretary of the SCPS, did not rule out the possibility of an indefinite strike.

Lower supply costs spur 36% rise in British Gas profit

BY MAX WILKINSON, RESOURCES EDITOR

THE NEWLY privatised British Gas yesterday announced a 36 per cent increase in pre-tax profits to £1.06bn and a 4.5 per cent reduction in gas prices to domestic consumers.

The sharp rise in profits, which took the City of London by surprise, and the cut in tariffs both reflect the fall in the cost of the corporation's supplies of gas from North Sea fields after the halving of crude oil prices last year.

In its first annual results statement since it became a private company in December, British Gas reveals that the cost of its supplies from the North Sea fell by an average of 11 per cent *last year, excluding* the gas levy paid to the Government.

However, the corporation was not obliged to pass all of this fall on to its customers because the *regulatory* formula governing its tariffs did not take effect until its flotation. The 4.5 per cent cut in tariffs will take effect from July 1 and reflects the expected level of its gas cost in the current year as well as the expected rate of inflation.

Under the price devised by the Government, British Gas is expected to pass on to consumers any rise *(or fall) in the* cost of its supplies. However, any rise in the remaining element of the tariff (for administration and transport) is limited to 2 percentage points below the *inflation rate. This formula does not* apply to large industrial and commercial consumers.

Yesterday, Sir Denis Rooke, British Gas chairman, said the cut in tariffs was larger than the formula would have yielded from the corporation's current estimates of the likely inflation rate and movement in gas costs this year. In view of the "great row" which followed British Telecom's restructuring of its tariffs after privatisation, British Gas wanted to be cautious.

If the profit figure were adjusted to exclude the servicing of the *£2.5bn of debt which the Government* introduced into the corporation's balance sheet last year, the increase in pre-tax profit would have been 60 per cent, he said. The corporation chose to repay £750m of the debt this year.

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Home loan rates cut

BY HUGO DIXON

BRITAIN'S two largest building *societies, the Halifax and the Abbey* National, yesterday unexpectedly cut their mortgage rate for new borrowers from 11.25 per cent to 10.8 per cent and 10.5 per cent, respectively.

However, the Nationwide, the third-largest society, said it would not follow suit saying that it could not understand why the cuts had been made.

The moves took the industry by surprise because base rates have been stable at 9 per cent since May 9. *Societies have* also been finding *it difficult* to *raise* enough money from retail investors this year to satisfy buoyant mortgage demand. A cut in mortgage rates is likely to exacerbate this problem.

Both the Halifax and the Abbey *justified their decision by saying* that, when they set the rate at 11.25 per cent in March, they were expecting a base rate of 9.5 per cent. The decision to reduce mortgage rates to take account of a 9 per cent base rate had been delayed by the uncertainty introduced by the general election.

Both societies also made clear that process of adjustment was far from complete. The Halifax described its 10.8 per cent rate as a "half-way house."

The May funding figures, which are published later this week, are expected to show that the industry attracted only £500m net from the retail savings market, down from £727m in April. The figure is expected to fall to £200m for June.

ICL aims at mainframe computer market

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

ICL, the leading UK-owned computer company, yesterday unveiled plans for increasing its market share in the UK and Western Europe with a range of new products that will include an ultra high-powered mainframe.

The company claimed that in the last two years it has halted and reversed the slide in its market share of the large computer market in Britain, which is currently expanding at an annual rate of about 15 per cent.

Its share in this period has gone up by about 2 percentage points, the company said, and is now standing at about 20 per cent in the range of machines sold at between £150,000 and £1.5m.

Although ICL has been putting increasing emphasis in recent years on the non-mainframe areas of its operations, the large computer sector nevertheless continues to dominate its business, generating about half of its turnover of £1.2bn.

Its aim in launching the new range is to increase the power available at the lower end of the Series 39 product range, first introduced in April 1985. At the top end of the same series, it is working on a machine, code-named Essex, which will become available in 1990.

ICL said it is already discussing customer requirements for the Essex processor, which will be designed to satisfy the rapidly-increasing demand for power among the largest mainframe users. The company estimates that this is currently growing at about 40 per cent a year.

Lower down the System 39 range, ICL is introducing four models for which it claims a 40 per cent improvement in performance. The company believes that these products will help persuade more of the customers for its mid-range ME29 range of computers to change to the group's larger products when their data processing requirements expand.

The System 39 range is based on semiconductor technology supplied by Fujitsu, the Japanese electronics and computer group.

ICL's present licensing agreement with Fujitsu, which is collaborating closely on the development of the technology for the new products, runs out in 1991, but the two companies are expected to renegotiate the contract.

OBITUARY

Sir Walter Salomon

SIR WALTER Salomon, who has died aged 81, was a merchant banker who proudly quoted Mrs Thatcher's description of him as "a sergeant-major of the awkward squad."

German by birth, Sir Walter was a disciple of Professor Friedrich von Hayek, the laissez-faire economist. He was apt to use the annual general meetings of his bank, Rea Brothers, as a platform for expounding his own robustly conservative views.

In speeches sprinkled with quotations from Hayek, Plato and even the French writer André Gide, Sir Walter condemned such developments as the 1980 Banking Act and the Gower Report on investor protection as dangerous examples of bureaucratic interference with the freedom of the market-place.

A frequent writer of letters to the Financial Times, he also advocated the abolition of the Department of Trade and Industry. He was a lifelong believer that unsound monetary policies would lead inevitably to social chaos and dictatorship and gave evidence to that effect to the 1957 Radcliffe Committee.

His own last years were slightly clouded, however, by the involvement of Rea Brothers with Amsterdamse Crediet-en Handelsbank (Amscrediet), a Dutch bank.

Before relinquishing the chair of Rea Brothers in 1984, Sir Walter had steered the bank into a holding in Amscrediet. Amscrediet's heavy losses proved to be a severe drain on Rea Brothers and eventually exhausted its inner reserves, before the British bank was reorganised last year.

Also late in his career, at the age of 77, Sir Walter became involved in another controversial affair when as chairman of Canal-Randolph, a US property company, he fought a bitter proxy battle against Mr Asher Edelman, an arbitrageur.

Born in Hamburg into a banking family, Sir Walter came to Britain in 1937 as a refugee and by 1950 had become chairman of Rea Brothers.

A keen yachtsman, he was also the founder and treasurer of Young Enterprise, a body set up to help young people form their own companies. His other City of London connections included membership of *Lloyd's* and of the Baltic Exchange.

In describing his career, he liked to compare himself with another European financier, Sir Siegmund *Warburg*, as an entrepreneurial banker who chose London as the best field for his endeavours.

In itself, however, Rea Brothers remained a small business – it is *now the smallest* member of London's Accepting Houses Committee – and Sir Walter liked to call himself a "private" or "personal" banker long into an age when many merchant banks were becoming large conglomerates.

UK NEWS

ATTENDANCE RECORD REINFORCES CAR COMPANY'S EMPLOYMENT POLICIES

Nissan cuts rate of absenteeism

BY DAVID BRINDLE, LABOUR CORRESPONDENT

NISSAN says absenteeism among workers at its UK car plant is running at less than 3 per cent – far lower than the British average – and is a clear vindication of the company's employment policies.

The motor manufacturer says it set what it considered an ambitious target of no more than 4 per cent absenteeism at the Washington, Tyne and Wear, plant in north-east England. But this has been easily bettered in spite of the fact that all employees are on guaranteed salaries.

Mr Peter Wickens, Nissan's personnel director, told industrial journalists visiting the plant this week: "Attendance is all to do with motivation and very little to do with sickness."

The plant at present employs 680 workers although this total is scheduled to double within the next 12 months and rise to 2,700 by 1991. The company says total absenteeism has settled at 3 per cent since production began last year.

However, this figure includes "available" holidays – that is, the eight days a year each employee is able to take at will in addition to 17 set days.

The true claimed absence figure of less than 3 per cent, therefore, compares with an average 7 per cent given in the latest (1984) General Household Survey both for the metal goods, engineering and vehicle sector and for the 25–34 age group – the average age of Nissan's workers being 27.

These GHS figures exclude absence through strikes, short-time or lay-offs, but include absence for "personal and other reasons" as well as sickness and injury.

A survey conducted for the Industrial Society in 1984–85 produced a mean sickness rate for industry as a whole of 4.6 per cent, but a rate for the north-east of 5 per cent.

Mr Wickens said: "The calibre of labour we have working in this plant we would rate as good, if not better, than any other anywhere in the UK – if not in Europe."

Nissan is engaged in recruiting more than 300 more manufacturing employees and expects between 4,000 and 5,000 applications. Of existing employees, the company says about 25 per cent came directly from the unemployment register, compared with what it believes is an average of 10 per cent for companies setting up from scratch.

Police service put under costs scrutiny

BY ALAN PIKE, SOCIAL SERVICES CORRESPONDENT

SENIOR POLICE officers and local authority representatives are studying ways of improving the cost-effectiveness of Britain's police services.

Police forces have been under increasing government pressure to introduce procedures by which their financial effectiveness can be measured, and value for money is the theme of this year's Association of Chief Police Officers conference in Blackpool.

Chief constables and local police authority leaders are discussing the issue against a background for rising crime figures and demands from many forces for large increases in manpower.

Mr David Phillips, Assistant Chief Constable of Greater Manchester, challenged the extent to which conventional performance measurements – "an easy notion if you are a manufacturer" – could be applied to the police. It was not easy to establish performance indicators, he said.

But the pressure to improve performance had led to the adoption of policing by objectives, with police forces taking a reduction in crime levels and public nuisance and returning to foot patrols as their objectives. At a statistical level the police could not claim to have achieved very much.

"We have argued for more resources with the half promise that, if we get the resources, we will reduce crime rates," said Mr Phillips.

"The crime statistics have set off an annual debate about the effectiveness of the police like the unemployment figures and inflation figures."

Michael Dixon writes: Radical and imaginative action to stop British prisons from being "universities" for the promotion of crime were urged on the Government by an official report published yesterday.

"It would appear that society is now the victim of a spiral where the rise in the number of offences is followed by a rise in the prison population which is followed by a rise in the number of offences," says the report, compiled by the last parliament's House of Commons committee on education, science and the arts.

Academics criticise plan for poll tax

By Richard Evans

A STRONGLY critical assessment of the Government's proposal to replace domestic rates with a community charge, or poll tax, is made today by an independent group of Oxford University economists.

In the latest Oxford Review of Economic Policy it is argued that it is undesirable to abandon domestic rates, which are economical and play an important role as a tax on housing consumption, in favour of a poll tax.

The assessment, which follows a series of similar judgments by academics, comes as the Government is preparing to introduce a rates reform Bill as a major piece of legislation in the first session of the new Parliament. The Bill will propose the substitution of domestic rates by a community charge payable by every adult over 18, and the introduction of a uniform business rate.

The authors conclude that there is no overwhelming case for replacing domestic rates with either a poll tax, as favoured by the Government, or with a local income tax, as favoured by the Alliance.

Oxford Review of Economic Policy, Summer, 1987. Decentralisation and Local Government. Oxford University Press

Out-of-town stores hit by restrictions on best locations

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

FT CONFERENCE

Retailing

THE DEVELOPMENT of out-of-town shopping in the UK was not proceeding as smoothly as many retailers and developers would like. Costly stores were being opened in less-than-perfect sites, Mr Russell Schiller, head of research at Hillier Parker May and Rowden, the retail property specialist, said in London yesterday.

One problem, he told the Financial Times retailing conference, was that the Government permitted development but was not prepared to *help provide sites or the means to* develop them in their optimal form.

The result could be the blighting of town centres – as customers were drawn away – and the construction of out-of-town facilities which did not fulfil customers' needs, he said.

"We are at the peak of a boom. There are major decisions to be taken, and the boom is the best time to make them rather than waiting for the slump," Mr Schiller added.

He was particularly worried about retailers' eagerness to move in around the M25 orbital motorway circling London. Choice positions were not freely available because much of the road passed through greenbelt land. "The result is that we get retail developments in odd locations," he said.

Position was vital for retailers. In a town centre a matter of a few yards in location could make all the difference between success and failure, he said, suggesting the same could apply out of town.

Mr Alistair Grant, chief executive of Argyll Group, highlighted the "dauntingly high" profits needed to justify the opening of a superstore.

British multiple grocery retailers were increasingly focusing on the superstore format, often built on the edge of towns or in out-of-town shopping centres.

A freehold 45,000 sq ft superstore now costs about £17m, made up of £10m for the site, £4m for buildings and £3m for fittings and equipment, Mr Grant said. To attain the target 30 per cent return on investment, on net margins of some 8 per cent, annual turnover had to hit £1.25m a week.

Allowing for the weekend surge of business, with 30 per cent of sales concentrated on Friday, such a store was required to turn over £375,000 in one day. Each car park space would then be used 12 times a day.

Mr Greville Cater, director of Barclays de Zoete Wedd Research, pointed out that the "dash" to develop superstores might be explained partly by the need to make pre-emptive strikes.

"Given the huge cost of developing these units, it can only be described as folly to open one in an area that is already well served by an effective competitor with such a store in a good location. The important point is to be there first."

It was quite common for a large retailer to establish a presence in an area, effectively shutting out the competition, and relocating later when local conditions permitted.

In spite of the general move out of town by the large multiples, the high street shopping centre was not necessarily doomed. The presence of Marks and Spencer in the high street would continue to draw people into the traditional shopping environment, Mr Schiller noted.

Wherever they shop consumers appeared to favour the introduction of electronic systems, according to Mr Alan Wolfe, director of marketing services at Ogilvy and Mather. He said 60 per cent of shoppers preferred scanner-equipped checkouts. Only 3 per cent favoured traditional methods.

Retailers were appreciating the advantages, and installation of electronic point-of-sale equipment was speeding up, he said.

Benefits included cost-savings through faster checkouts, faster shelf-filling, reduced shrinkage and reduced paperwork. Greatest of all was the ability to assess precisely the profitability of each item on the shelves

UK NEWS

Call to optimise recovery of North Sea oil

BY MAX WILKINSON, RESOURCES EDITOR

THE GOVERNMENT should do more to ensure that North Sea oil and gas tax rates encourage the maximum pace of development while prices are depressed, says a parliamentary report published yesterday.

The report, from the all-party energy select committee says, however, that the Government has been right to resist proposals which would subsidise the development programmes of oil companies operating in the North Sea.

It says that the upper limit for tax reliefs should be one which made post and pre-tax rates of return equal. Although the committee does not envisage scope for dramatic change in the oil taxation system, it believes the Government should create a "positive atmosphere" by, among other things, "sensitivity" in the fiscal regime.

It says the present provisions for encouraging maximum production towards the end of the lives of existing fields is unsatisfactory.

Under present laws, the Government has discretion to remit royalty payments where the premature abandonment of a field is threatened. However, the committee says there is much uncertainty about the circumstances under which this might be done.

It says: "We recommend that the Government publish guidelines, preferably in the form of a formula, clearly indicating the conditions under which royalty refunds would be given to prevent the premature abandonment of fields."

It also says the Government could do more to encourage incremental investments in existing fields which might be unprofitable under present tax systems but could become profitable without tax liabilities.

The report says: "The present situation is unsatisfactory. The Government's agreement merely to keep the system under review maintains the uncertainties and is not conducive to facilitating investments which might be necessary to optimise recovery of the North Sea oil."

It also suggests that research and development expenditures should be given immediate relief against petroleum revenues tax. The Government is urged to commission a survey on the scope for cost-reducing innovations in the next few years.

The committee is worried that the depressed rate of activity in the North Sea will weaken the British offshore supplies industry so much that it will be unable to take advantage of a resurgence of activity if oil prices recover in the next few years.

It says the Government should do everything it can to encourage the development of British offshore technology. It adds that the Department of Energy's Offshore Supplies Office should actively investigate claims that foreign governments directly or indirectly subsidise their industries which compete for contracts in the UK continental shelf.

The committee opposes protectionism in the UK sector but says: "The issue of access given to British offshore markets should be used as a bargaining lever in any discussions on protectionism in foreign markets."

A memorandum from the Government, published with the report, says that oil companies surveyed expect the price of North Sea crude to rise gently in the next five years within a range of from $12 to $25 a barrel by 1992 in current price terms.

A memorandum by Shell UK suggests that some 30 per cent of the total UK sector reserves have been produced with a further 35 per cent remaining in fields already developed. It puts total reserves including 2bn barrels of undiscovered oil at 23.1bn barrels. Of this 5.2bn barrels, or 23 per cent of the total, is in discovered fields which remain to be developed.

At present, it says, 33 fields are in production with a further six under development. More than 50 further significant discoveries have been made. However, the average size of the newer fields will be much smaller. Many will have fewer than 50m barrels compared with an average of 370m barrels for the fields now developed.

The effect of oil and gas prices on activity in the North Sea, Third Report from the Energy Committee Session 1986–98, HMSO £12.90.

Safety needs will mean delays this summer, says aviation body

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

DELAYS to flights at UK airports are inevitable during peak periods this summer because of the need to ensure safety in increasingly congested air space.

Mr Christopher Tugendhat, chairman of the Civil Aviation Authority, told the Tour Operators Study Group in London yesterday that "the unprecedented increases in traffic which we are facing this summer (up by 23 to 25 per cent in some areas in peak periods) has led the CAA to introduces flow control."

"This is a strategy which has been followed for many years by other European countries and by the US," Mr Tugendhat said. "This means that at peak periods we are restricting traffic to what can be handled safely.

"Inevitably and regrettably, this will lead to some delays in flights, but the CAA is determined that our controllers and the system generally should not be overburdened and that safety standards should be maintained."

Mr Tugendhat also highlighted other measures being taken by the CAA to improve safety in UK air traffic control.

"For some years we have been investing large sums – £125m ($204m) over the last five years – to update the equipment.

"This covers radars, navigational aids and a new computer for the Oceanic Air Traffic Control Centre (looking after North Atlantic traffic), which includes for the first time in this country a facility for predicting potential conflicts.

Over the next five years we are to spend a further £200m, which includes among many other things, a new computer at the London Air Traffic Control Centre, which we shall need in a few years time as the traffic approaches the limits of our present computer. Design studies for this new computer are well under way."

Mr Tugendhat said that the CAA recognised the difficult task facing controllers "and I can assure you that the management has taken very seriously their particular problems.

"Negotiations towards a settlement on working practices, which has been the cause of so much uncertainty among controllers over recent years, are well advanced."

BA to fly Concorde to Barbados

BY OUR AEROSPACE CORRESPONDENT

BRITISH AIRWAYS, which already flies regular scheduled Concorde services to New York, Washington and Miami, will add Barbados to the route network next winter for a limited period.

From December 12 to the end of March, Concorde will make a series of weekend flights to Barbados, subject to Barbados government approval flying via Shannon in Ireland, where it will top up with fuel before flying non-stop across the Atlantic.

The outbound flight will take about six hours and the return flight about four-and-a-quarter hours, knocking some four-and-three-quarter hours off the subsonic journey.

Fares will be £1,313 single and £1,626 return.

In addition, BA will be increasing the number of Jumbo 747 flights to Barbados from Gatwick and Manchester during the winter.

Mr Jim Harris, BA's director of marketing, said that the proven popularity of Barbados as a holiday resort during the winter months, linked with the outstanding appeal of Concorde, "has prompted us to put these two attractions together to provide an unbeatable package."

Lawson dismisses idea of credit boom danger

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, Chancellor of the Exchequer, yesterday sought to dismiss suggestions that recent growth in the economy was based on a "credit-based consumer boom" which held out inflationary dangers for the future.

In a speech at the annual dinner of the Finance Houses Association, Mr Lawson said that contrary to "popular mythology" the increase in personal borrowing as a proportion of national income in the 1980s has been entirely due to the growth of mortgage borrowing.

Consumer credit, as commonly understood, represented only 15 per cent of total personal sector debt and, if anything, the proportion had fallen slightly. Within that figure only 5 per cent of lending took the form of credit card debt, with industry estimates suggesting that 40 per cent of holders of Access and Barclaycards used them as charge rather than credit cards.

Mr Lawson, whose assessment of the implications of rising consumer credit appears more sanguine than that of the Bank of England, said that there should be little surprise that personal sector debt had risen faster than income. In any event the ratio of personal sector debt to income, at 78 per cent in 1986, was still well below the equivalent 93 per cent in the US.

At the same time an increase in the debt/income ratio was not likely to be inflationary as long as it was matched by increased holdings of financial assets. That was, in fact, what had happened in Britain. Both sides of the personal sector's balance sheet had been increased.

The Government would continue to monitor credit developments in assessing the overall stance of monetary policy, but its weapon in dampening any inflationary pressures would be interest rates rather than quantitative controls on credit. The latter would create damaging distortions without influencing monetary conditions, he said.

Warburg to expand with Isle of Man business

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

S. G. WARBURG, the merchant banking group, is to expand its offshore investment management business with a full-service office on the Isle of Man. The initial staff of 10 is expected to double in 18 months.

Warburg already acts as a fund manager for the Isle of Man Government, but from London. It has about £150m of Manx funds under management, but the scale of this can be judged by comparison with its main offshore base on Jersey, where it manages £1.7bn of funds.

However, expansion on Jersey is limited by overcrowding and the difficulty of getting work permits for specialist staff. The Isle of Man has, by contrast, been exploiting its room for growth, as well as its welcoming approach towards qualified immigrants who are likely to bring in or create new jobs.

This has encouraged rapid growth in the financial services sector and a business climate which Warburg has found attractive. The group yesterday cited expansion of the captive insurance sector on the island as one factor for setting up there, together with the inability of its hard-pressed Jersey operations to cope with continuing growth in its global investment management business.

The new company will be called Warburg Investment Management (Isle of Man) and will be headed by Mr Barry Beale, who will be moving to the island with his family this summer. A computer network will link the island office with London and Jersey.

TECHNOLOGY

Oxford Instrument's mini atom-smasher looks set to become an indispensable tool in the manufacture of tomorrow's superchips

The magnetic pull of grand alliances

By Jane Rippeteau

IN A *brown-faced building* by a masonry yard on the edge of Oxford, three scientists huddled in a basement room are working on a piece of the future.

The team, at Oxford Instruments Group, is building a synchrotron—a sort of race track for electrons — commissioned by the International Business Machines Corp. for manufacturing extremely high-density semiconductor chips, ones that may surpass by many times the capacity of today's top chips storing a million bits of information.

Japanese competitors are struggling to develop the same technology, but Oxford's synchrotron is the first so far announced that will be powered by electro-magnets made of superconducting *materials—ones which transmit* electricity with almost no loss of power—instead of by conventional magnets. When the machine is installed at IBM in 1990, it is to measure just 6 ft by 15 ft, a fraction of the playing field-sized machines now in use.

Oxford was picked by IBM to develop the machine because of its expertise and experience in superconducting magnet technology. The magnets Oxford will use are of the same type it already employs in its core business: the supply of superconducting magnets that form the heart of nuclear magnetic resonance, or NMR, scanners widely used in medical diagnostics.

But that core business and the very nature of Oxford's superconducting technology is *poised for dramatic change* because of recent rapid discoveries of a completely new family of more efficient superconductors. Indeed, Oxford's synchrotron researchers can suddenly foresee a day when the performance could be enhanced and costs reduced on the very machine they are building.

Oxford is negotiating to ex*pand its relationship with IBM* as part of a strategy to keep *itself* at the forefront of the new superconductor developments.

The company has recently approved expenditures of about £1m *to establish industrial* liaisons, including one with IBM, another with Rutgers University in the US and a third *effort* aimed at promoting a co-ordinated government-industry offensive in the UK, according to Paul N. Winson, Oxford's business development director.

Oxford Instruments does not itself manufacture supercon*ducting materials*. But as the world's top independent supplier of the NMR magnets, it is a major consumer of the materials.

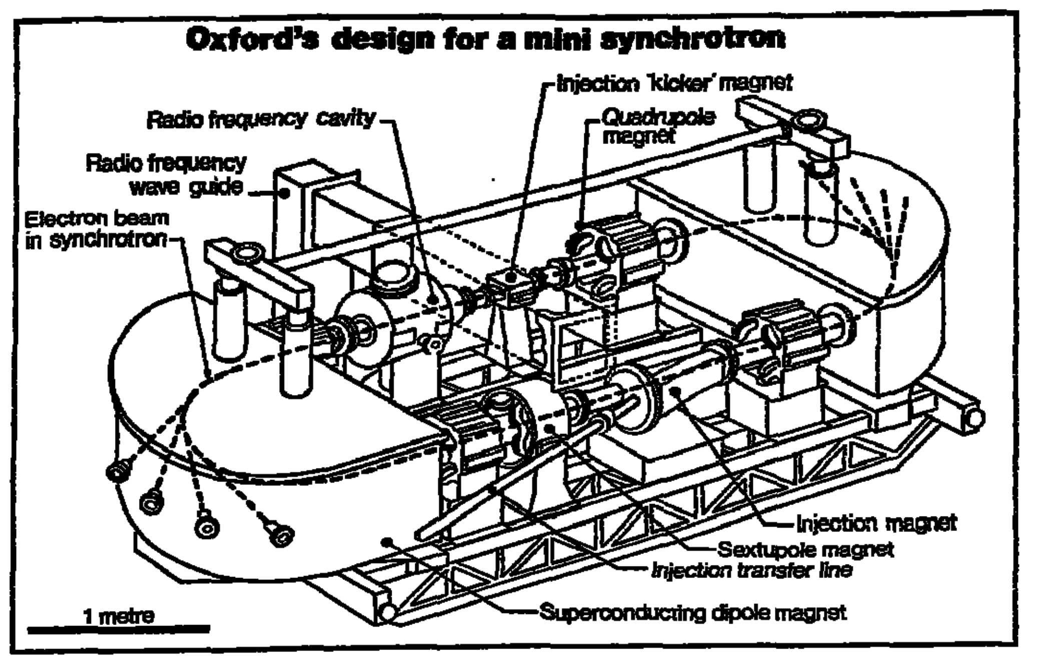
Superconducting wire is the key component of the NMR magnets. With the strong *magnetic fields* that they generate, scanners can help doctors distinguish between *healthy tissue and malignant* tumours, and to diagnose other medical problems without invading the body.

Oxford executives do not want to get left behind on a technology that promises to change the economics of their business, and possibly open whole new markets. Although Oxford has a wide product line including analytical instruments, measuring devices and ion-etching tools used in semiconductor manufacture, it relies heavily on magnet sales. Company executives report that NMR magnets accounted for half of Oxford's £100m turnover in the year to March 29 1987 and for nearly half of profits.

Superconducting materials in use today work only when cooled nearly to absolute zero. The recent discoveries revealed new metal alloys that will do the same thing but at higher *temperatures which* are cheaper to create and maintain.

This could have a major effect on the market for NMR scanners, which not only cost *some $2m to buy*, but can require special installation and

Oxford's design for a mini synchrotron



maintenance running from $100,000 to $1m, according to analysts at Robert Fleming Securities.

As nearly all top hospitals *have purchased such machines*, Oxford's core market has flattened out, restricting profits. Also, at twice the price of their rival product, computer-aided tomography, or CAT, scanners, any new technology reducing the expense of NMR machines is crucial to Oxford. The new superconductors, says Winson, *would not* only make NMR machines cheaper to buy, but also far less expensive to operate, because the magnets would not have to be kept in a constantly-refreshed bath of the costly *liquid* helium that keeps them cold.

Rapid discoveries

There is another benefit, says Praveen Chaudhari, vice-president for science at IBM's Research Division in Yorktown Heights, New York. The attraction of the new materials is that they offer comparable resistance-free performance at higher temperatures. But as Chaudhari explains, if chilled to today's levels, the new *materials* offer vastly improved performance. This would give scanners far greater resolution, with more detail and the chance of more specific diagnoses.

Substantial obstacles to commercial use remain. But relevant discoveries are occurring at a rapid pace, almost weekly. And targeted projects are cropping up. Just recently, for instance, the Argonne National Laboratory in Illinois announced a project to produce a practical superconductor wire within five years.

Winson learned of that development by reading about it in the Financial Times. He *and his associates want a more* intimate link to such vital news. Without it, "we would wind up not necessarily the preferred recipient" of the first commercial *materials, and* "we would lose sight of new-to-the-world opportunities," he says.

The company plans to set up a team *in the US, under its* Oxford Superconducting Technology subsidiary in Carteret, New Jersey, and connected with the Institute of Ceramics at Rutgers University, also in New Jersey.

Perhaps more significant is the deal being negotiated with IBM's Yorktown Heights Research Division for a joint project concerning use of superconductors in chip making. According to both Oxford and IBM, the deal is nearly concluded. But neither will reveal specifics.

It seems clear, however, that it would be closely related to the synchrotron project, which holds the hope of building multi-million-bit chips.

"One of the things we don't know is how far we can go," says Chaudhari of IBM. As electrons round curves of the *synchroton "race track,"* he explains, they emit X-rays. This light source can be used, just like photo lithography, to make patterns on a surface. But because X-rays are of such short wavelength compared to visible light, they can make patterns of far finer dimension, and hence of far greater density.

IBM has been researching this phenomenon for seven years using a conventional synchrotron at the Bookhaven National Laboratory on Long Island. This work will be transferred to IBM's General Tech*nology Division* in East Fishkill, *New York, when the Oxford* synchrotron is installed there in 1990.

In the UK, Oxford is participating in development of a funding programme for superconductor research under consideration at the Department of Trade and Industry. The DTI confirms that division chiefs have met with representatives from industry to request proposals.

According to Winson, the Government may spend several million pounds for collaborative ventures *between industry* and academe.

Winson says Oxford will make its proposals in alliance with *General Electric Company, the Central Electricity* Generating Board and an academic partner. They involve the use of superconducting magnets in power transmission.

The company hopes such liaisons will ensure it a front row seat as the superconductor tale unfolds. Says Winson: "It would be foolhardy just to sit back and wait."

IBM plugs into British brilliance

By David Fishlock, Science Editor

THE NEW kind of supercon*ducting lamp that IBM has* ordered from Oxford Instruments for trials in a US microchip factory starting in 1990, will generate a light a million times more intense than the light sources used to make microchips today.

This superconducting synchrotron will bend beams of electrons to generate intense beams of radiation, mostly of wavelengths too short to be seen, including ultraviolet and X-rays. Some IBM scientists believe this "synchrotron radia*tion" could become an indis*pensable tool in the manufacture of multi-megabit chips, having tens or even hundreds of millions of bits of memory on a single chip; although others are *putting their* money on electron beam technology.

Intense light

The sub-micron size patterns from which such powerful chips will be reproduced by the million will require intense light *of a much shorter wavelength than is* customary *in* the photo-lithography used today. Synchrotron radiation seems to offer the possibility of much finer detail to be resolved than is possible today.

Synchrotron radiation is a jumble of rays of assorted wavelengths—infrared, visible, ultraviolet, X-ray—produced when a charged particle such as an electron is being accelerated or bent round a curved path.

First observed in the US in 1947 as a useless byproduct of atom-smashing experiments, by the mid-1960s synchrotron rays had begun to shed light on some difficult scientific problems. Special facilities were added to atom-smashers to tap the light. In the *mid-1970s British physi*cists at Daresbury in Cheshire began building the world's first atom-smasher dedicated to generating synchrotron radiation as an experimental tool.

It cost £25m and came into service in 1980, known as the *synchrotron radiation source* (SRS). Several UK companies including ICI and BP hire time on the SRS, but not the UK electronics companies. Oxford Instruments has worked closely with Daresbury's scientists on its mini-synchrotron design.

In the US, however, scientists with IBM, AT&T, Bell Laboratories, Exxon, Xerox, and others were already tapping the much dimmer synchrotron rays from older atom-smashers for experiments in sub-micron semiconductor geometries.

The IBM experiments in X-ray lithography, led by the Watson Research Centre, once prompted ideas that the scientists might install their own *synchrotron in the* basement. In the event, it has been decided to install the prototype *mini-synchrotron* at the big IBM microchip factory at East Fishkill, nearby, and to mount a combined research and manufacturing development team to run the trials.

All this is possible because *of the rapid progress* Oxford Instruments scientists, led by Martin Wilson, have made in miniaturising the machine over the last two years. Atom-smashers consist mainly of magnets. Daresbury's SRS has a ring of 32 magnets 96 metres in circumference—the size of a small field. Wilson's mini-synchrotron has only two *pairs of magnets* and fits into an area 5 metres by 2 metres.

Superconductivity — the phenomenon whereby a few materials when sufficiently cold lose all electrical resistance—is a proven way of generating very intense and very stable magnetic fields. Oxford Instruments pioneered the technology and *has found a major* international market in the powerful magnets needed for medical scanners using nuclear magnetic resonance (NMR). The superconducting synchrotron uses the same "*conventional*" superconductors as the medical scanners, cooled to liquid helium temperature.

Wilson has already built one pair of magnets. "So we've tested what we consider to be the key design feature, very successfully," says Dr Peter Peter Williams, Oxford's chief executive.

Dr Williams has been studying the market potential for mini-synchrotrons, initially as an experimental tool for research at the frontiers of chip fabrication, but in the next decade or so as a new production-line machine. Present indications are that the shorter wavelength will begin to become competitive with current practice at sub-micron geometries of the order of 0.7 micron, and will offer severe competition at around 0.5 micron, he says. His best forecasts are that there may be a market for several hundred mini-synchrotrons by the mid-1990s.

Both Oxford and IBM are coy about the price being paid for the prototype. But present signs are that production-line systems will cost £10m or more, compared with about £1m for an NMR scanner.

But the company already has competitors. One is in West Germany, where a "*club*" of electronics companies including Siemens and AEG has designed a mini-synchrotron, starting about three years ago, initially in collaboration with Oxford. However, Williams says nationalism has recently driven this club to make its own arrangements for manufacture, through a consortium led by Leybold Heraeus.

In Japan, where research teams have had access to synchrotron rays from the national "photon factory," Miti has helped organise a club of about a dozen electronics companies, called Sortech.

Oxford's current view is that the US electronics industry is *the* best market prospect for its first mini-synchrotrons. Even so, there is likely to be fierce competition with rival technologies; not only current photo-lithography but also electron-beam lithography.

MANAGEMENT : Marketing and Advertising

Green Shield's return

Will a 30-year-old idea make a comeback?

David Churchill assesses the likelihood of a trading stamps revival

RICHARD TOMPKINS is out to prove that in the marketing world there is no such thing as an old idea.

Tompkins, the force behind the Green Shield trading stamp bonanza of the 1960s and early 1970s in the UK, next week will make a further move towards restoring his stamp empire by opening a Green Shield stamp redemption centre—the first for almost a decade.

Later this year Tompkins plans to have at least 20 more such High Street redemption showrooms. At the same time there should be significantly more petrol stations and retail outlets offering green stamps to customers than the present 1,200.

Tompkins, now 69, fervently believes that the formula that worked so well in the past can be recreated almost exactly to work in the late 1980s and *beyond*. "*The elements of a* successful sales promotion don't change that much," he insists. "The time is ripe for a return to trading stamps."

Yet there are those who remain sceptical—not least the Tesco supermarket chain which stopped giving stamps exactly ten years ago in June 1977—a decision which helped initiate *Green Shield's collapse*. "We have no plans to give Green Shield stamps again," confirms Tesco.

Tesco, like other supermarket chains, decided that stamps had lost a lot of their appeal in the rising inflation of the late 1970s. As prices rose, so more and more stamps had to be given at the checkout; equally, Green Shield was forced to raise the redemption value of its gifts.

Tesco therefore decided that a strategy based on price cuts partially financed by the savings generated from not giving stamps would appeal more. It did — and Tesco's sales and *market share soared*.

Oil companies were faced not only with escalating prices in the wake of the 1974 Arab-Israeli war but also with shortages and disruptions to supply. Offering trading stamps when petrol was being rationed did not appeal to the oil majors.

Others point out that the consumer *is more sophisticated* than 20 years ago and is less likely to be swayed by the availability of stamps. "There is a *psychological barrier* to be broken among those who remember stamps and who see them as rather old-fashioned," suggests John Richards, a senior stores analyst with stock-brokers Wood Mackenzie.

The retail environment, moreover, is now very different from that which existed when stamps were in their heyday.

"There are few retailers who are seemingly giving any serious thought to trading stamps," says Richards. "The idea of a general promotional technique is counter to existing strategies of developing added *value and differentiating* the individual retailer's trading concept."

Even in the US — the home of the trading stamp phenomenon — the use of stamps as a sales promotion technique has not recovered to any significant degree since it fizzled out in the early 1970s.

Nevertheless, if Tompkins can succeed in turning the clock back then he will give the marketing and retail worlds much food for thought.

His reasons for trying again appear to have more to do with his own pride than any need for the money. Tompkins not only made one fortune from the Green Shield stamp operation but also received some £35m in 1979 from BAT Industries for his Argos discount stores chain.

He acknowledges that one factor behind Green Shield's return was a desire "*to show people* that stamps can still work and to pass on the business to my children."

The *origin* of Tompkins' determination to make Green Shield a force again is not hard to find. As a young man he had a variety of fairly ordinary jobs —as a laundry boy and petrol station attendant and running a *cafe, before ending up owning* a small printing company.

But it was during a visit to a friend in the US in the mid-1950s that he noticed some petrol stations had queues while others did not. *Enlightenment* soon came: those with queues were giving away trading stamps.

Back in the UK he mulled *over* the possibilities of launching a trading stamp operation even though at least 32 other trading schemes were in operation at that time. Tompkins had one advantage: he could print his own catalogue of everyday household items that could be redeemed with trading stamps. So, armed with a close analysis of how Sperry and Hutchinson (then the world leader in trading stamps) operated in the US, he launched his own company in 1958.

Richard Tompkins (right): Mobil is again the first petrol retailer to issue his stamps

The name Green Shield he bought for £50 from a man who ran a luggage company bearing that title and the green colour he—cheekily—stole from S & H which traded green stamps in *the US. (When S & H started* in the UK, it had to use pink trading stamps.)

Tompkins had no overnight success, but dogged perseverance paid off, helped by Tesco's decision in 1963 to offer trading stamps as its way of boosting turnover in the newly competitive environment being created after the abolition of price con*trols*. By the early 1970s, about half the households in Britain were said to collect Green Shield stamps regularly.

Trading stamps are a relatively simple form of sales promotion. For every purchase made in a shop or petrol station, the customer receives a stamp according to how much is spent. Retailers used to give one stamp for every 2.5p spent, making a book worth 75p. The new Green Shield stamp is now given for every 25p spent, making a book worth £6.

Retailers and petrol stations are given an exclusive franchise which limits how far away competing retailers will be. The main benefit of stamps to them is that it is supposed to boost sales to a point beyond that which covers the cost of the stamps.

Last time round there was no *doubt that most petrol* stations and stores did increase sales sharply—but only after stamps became well-known.

Tompkins' belief that Green Shield can re-emerge as a marketing weapon is based on three arguments:

● The UK's low inflation rate —and the likelihood that it will continue under Mrs Thatcher. Price, he argues, is no longer the key marketing weapon.

● The public is bored with the promotions subsequently used by petrol retailers and others —such as games and collecting glasses—in a bid to woo custom and loyalty. "The dearest promotion is one that doesn't work," he points out.

● Green Shield gifts are still relevant in the late 1980s. "Everybody still needs to replace saucepans and irons and other household goods," he *points out*. "*They might* as well do it through collecting stamps as paying cash."

Tompkins' initial enthusiam was given a boost by Mobil's recent decision to offer stamps, albeit at the reduced rate of three stamps for every pound spent, through its 800 outlets. Mobil was the first oil company to offer stamps in the early 1960s.

But even with Mobil, Green Shield still has a long way to go to reach the 35,000 outlets which offered stamps before. At present there are another 200 or so independent petrol stations offering stamps, and about 200 small independent retailers giving them. What Tompkins really needs is another deal similar to the Tesco one of the early 1960s.

Wood Mackenzie's John Richards believes, however, that there "would need to be a dramatic slump in retail sales and pressure on disposable incomes before retailers would consider using stamps as a weapon".

No woolly thinking

THE BRITISH textile industry has not always had the best of luck in recent years as it has battled in home and international markets against increasing competition, particularly from the third world.

So when it wanted to mount a trade exhibition showing off the technological innovations that had transformed the industry, it was disappointed, to say the least, that the proposed event—to be held at the Manchester G-MEX exhibition centre in February of this year —attracted virtually no interest.

Philbeach Events, the subsidiary of the P & O group which was organising the exhibition, decided last July to *call in Paragon Communica*ting, a medium-sized public relations consultancy, to see if it could revive the event at almost the eleventh hour.

"We would normally want at least a year in which to market such an event," points out Gordon Knight, the Paragon director in charge of the project.

Yet Paragon's public relations programme not only managed to save the exhibition and turn it into a success, it has also led to firm plans for an event five times the size next year.

Bill Davis, assistant managing director of Philbeach Events, confirms that "Paragon's quick and incisive understanding of the exhibition's purpose and need was invaluable and without this support the outstanding success of the exhibition would not have been achieved."

Paragon's efforts earlier this week won it the PR industry's major award—the Institute of Public Relations' Sword of Excellence.

What did Paragon actually do to win such praise? Its campaign was founded more on common sense and consistent effort than on any highly sophisticated programme.

It found that little effort had been made to identify and reach the key exhibitors and potential visitors to the show. *This it did, identifying* six target exhibitor and visitor groups.

It then worked out the message it wanted to communicate to these groups to inspire them to support the exhibition—and planned how to execute this to these groups.

The message was that the event was the first-ever showcase for textile innovation and investment. To support this, it gathered together case histories of innovations by companies in the target sectors and other factual data about the success of the textile industry.

Its subsequent programme was aimed at briefing trade papers in the industry sectors most likely to exhibit. A promotional newsletter was launched, making use of the case study material, and direct-mailed to potential exhibitions and visitors.

Other aspects of the campaign included reaching overseas visitors via selected foreign consulates; involvement of a group of all-party MPs with leaders of the textile industry; and heavy use of press releases to generate interest.

Paragon's final clincher in winning the award was the cost *of the campaign: £42,900*—or £1,100 less than budgeted.

David Churchill

Marketing briefs

BREAKFAST MAY be a meal of diminishing importance, but food manufacturers are not giving in to demographic pressures on diet without a fight.

Cereal, milk, tea and coffee companies figure strongly in an analysis of *leading* spenders on advertising compiled for a special report included in the latest issue of The Food Forecast.

Kellogg spent an estimated £28.5m last year supporting its products, with more than £4m-worth of backing for cornflakes alone.

The National Dairy Council spent more than £7.5m promoting milk, Nestle put £6.8m behind its Nescafe coffee brand, and Allied-Lyons pushed Tetley teabags with a £3m budget.

The report shows that more than 100 individual food brands were each supported by more than £1m of advertising expenditure during 1986. The list included 18 chocolate confectionery products, 17 cereals, eight margarine brands, and seven types of tea.

Seven generic brands—for example Heinz's range—benefited from budgets of more than £10m.

Milk and Nescafe topped the individual brands league, closely followed by Maxwell House coffee, Oxo red cubes, Mars Bars and St Ivel Gold margarine.

In the "generics" table Mars brands came closest to Kellogg's with £18.4m expenditure, followed by Heinz with £17.7m, Cadbury at £17.2m and Rowntree Mackintosh with £14.7m.

Food *retailers* also *spent* heavily. Asda came top *of* the list with £6.9m spent on Press and TV, followed by Tesco (£6.7m), the Co-op (£6.4m), Sainsbury (£4.8m) and Presto (£2.9m).

The Food Forecast, £525 a year. Industry Forecasts, 22-24, Bell Street, Henley-on-Thames. Oxon. RG9 2BG. Tel: (0491) 574671.

●

ONION PICKLERS and sauce makers are having a lean time, and will struggle to secure any real market growth in the short term, according to a report from Marketpower.

Only salad dressings show any promise, the research company says, and sales are expected to increase from last year's £61m to £76m in 1991.

Sales of sweet pickles, tomato and brown sauces will grow by less than 1 per cent a year, and sour pickle turnover will fall by about 1.3 per cent.

Pickles and sauces, £85. Marketpower, 84, Uxbridge Road, London W13 8RA. Tel: 01-840 5252.

●

CHINA presents western brewers with a prime marketing opportunity, according to ERC Statistics.

Beer consumption has increased six-fold since 1980 as demand has veered from traditional to western drinks, and the population has come to expect a less austere life-style.

Chinese beer production has failed to keep up with demand, and currently lags 20 per cent behind the market.

North American brewers have emerged as the most aggressive traders in less developed countries, ERC says. Stagnating home markets have prompted them to export, licence their brands abroad and acquire stakes in overseas brewing companies.

Beer, the International Market, £4,500. From ERC Statistics, Lynton House, Tavistock Square, London WC1H 9PU. Tel 01-387 9484.

●

LOW FAT dairy products, all the rage in Britain and the US, find little favour in West Germany.

Germans consider full-fat products naturally wholesome, and soothe their consciences with products like reduced sugar yoghurts.

Still, low-fat items constitute 26 per cent of the overall DM 1.9bn yoghurt market, *according to ERC Statistics*.

Britain offers wide scope for further development of yoghurt sales, the company says in its latest review. With annual sales of £204m at retail prices, the UK is still far behind West Germany, France and the Netherlands, but intake is growing rapidly.

Consumption increased 70 per cent in volume terms between 1980 and 1985, and is being pushed up by the introduction of new varieties such as toffee flavours, savouries and alcoholic yoghurt "cocktails."

Growth Opportunities in the European Dairy Market, £4,500. ERC Statistics, Lynton House, Tavistock Square, London WC1H 9PU. Tel 01-387 9484.

Christopher Parkes

THE ARTS

The Mask of Moriarty

Martin Hoyle

As the constable remarks to the muffled shape that lurches past, "I beg your pardon. Dr Jekyll—I didn't recognise you *in the fog*." Hugh Leonard's tribute at the Leicester Haymarket to the Sherlock Holmes centenary is an unremittingly facetious pastiche that sets out to capture the zany anachronisms of, say, the Brahms-Simon historical extravaganzas (*No Bed for Bacon; Don't, Mr Disraeli*) but ends up as a cross between a literary *1066 and All That* and a Benny Hill show.

Mr Leonard has nobly forborne to fill in such famous blanks in our hero's career as "the great rat of Sumatra, a story for which the world is not yet prepared." Instead, we have a cobbled-together murder mystery that ranges from a stately home ("He fell into a ditch—ha-ha." "Don't laugh—he was your father!") to an opium den where exotic Lily murmurs, "I'm Eurasion," to a drunken toff. "And I'm your Englishman," the ardent swain replies. Two hours of this sort of thing separate the men from the killjoys and leave you chortling or simply aghast.

The trouble is that the author, abetted by a production that underlines every joke with looks of comic bafflement (especially from James Grout's Watson), seems intent less on nudging you in the ribs than beating you insensible with a blackjack. Allusions abound. American heiress Miss Mellors is the fruit of an aristocratic elopment with a gamekeeper; younger Bunny turns out to be the late Raffles's chum; Chinese Lily keeps a hideous picture of an old admirer in her garter ("Dorian Grey ain't coming back!"); and the secret invention that will ensure Britain's maritime supremacy is called the McGuffin (one for Hitchcock fans).

Madcap fantasy it may be, but the play's slovenly construction leaves one wondering, for example, why a goody at the mercy of evil Moriarty stands mutely stick-like while possible salvation is on stage. The production is more concerned with gags than answering these questions. Possibly aiming at repeating the successful parody formula of *Daisy Pulls It Off*, the same director, David Gilmore, here makes the fun too self-conscious, too knowing. Hence a grim-faced woman who slaps her thigh with a riding-crop only to double up with an agonised "Jee-sus!"

Many of the jokes are achingly predictable, but Geoffrey Palmer's excellent Holmes is suitably dry (though his cluttered study, in Martin Johns's elaborate revolving sets, looks extraordinarily lower middle-class). Jonathan Coy makes his mark as a sinister hunchback family retainer called Herring (with red hair—wait for it!) addressed also as Halibut and Haddock. It's that sort of evening. With respect to the author, who recently disowned the term "spoof" as too undergraduate, I cannot see who else but a genial audience of hearties in Eights Week could sit through this protracted party turn.

*

I recently referred to Tim Albery, director of Sheffield's Streetcar Named Desire, by the name of his brother, the producer Ian Albery. My apologies for any embarrassment or monetary excitement caused by this confusion.

Philharmonia/Festival Hall

Dominic Gill

Orchestral concerts given in aid of a worthy cause or charity are, musically speaking, a particular phenomenon. The audience, to begin with, is perceptibly not the usual concert-going audience; and on the platform, too, there is more than likely a substantial scattering of unfamiliar faces—since the regular orchestral players, for their own particular reasons, frequently appoint substitutes or deputies for such out-of-the-ordinary events.

The Philharmonia Orchestra's concert on Tuesday evening, under the baton of Louis Frémaux, was performed for the benefit of the United Nations Association. The programme was framed by Mozart's Haffner Symphony and Ravel's orchestration of Mussorgsky's *Pictures from an exhibition*: two unexceptionably genial performances, but neither of them of a quality or a stature which could seriously be called vintage Philharmonia or vintage Frémaux.

But the evening, as it turned out, was worth a detour for its two centrepieces alone. Cecile Ousset—like Fremaux also providing her musical services *gratis* for the international cause—was the solo pianist in Fauré's little *Ballade* (originally for piano alone, later rearranged by the composer for piano and orchestra), and in Franck's bigger and grander Symphonic Variations. Her account of the Fauré was a marvellous refreshment—every last ounce suppressed in her delivery of the delicate sentimentality which Debussy once (perhaps oversanctimoniously) mocked: this by contrast was clean, powerful, lyrically clear-cut Fauré, without a trace, either in the phrasing or in the choice of timbre, of salon whimsy.

Cohen and Donohoe

Paul Driver

Two totally accomplished players such as the cellist Robert Cohen and pianist Peter Donohoe need not necessarily find total accord together in chamber music, but if their recital of Russian sonatas at the Wigmore Hall on Tuesday night was representative, they do. The individual performances and the ensemble alike were virtually flawless; stunning and carefully measured virtuosity was continuously in the service of the most feeling insights into the music.

First came Shostakovich's early Sonata, op 40, the least interesting of the three pieces, an innocuous, conservative, four-movement form principally enlivened by its mercurial scherzo, to which Donohoe contributed playing of huge bravura and vivid colour, and Cohen a matchingly brilliant *spiccato*.

Prokofiev's very late Sonata, op 119 is a more complex affair than the Shostakovich, particularly melodic even by Prokofiev's standards as the programme note said, but nevertheless rarified in sensibility; and the duettists happily captured its note of fused intensity and divertingness. For instance, the walking-race of the first part of the finale was given its proper amiability, but a much more comprehensive range of emotion was rightly discovered in the movement before the end.

Rakhmaninov's beautiful, big and creamy Sonata, op 19, sounded marvellous in their hands; the first movement had symphonic sweep and moments of lovely rubato, the scherzo's central melody was done with immense delicacy and warmth.

Dulwich Picture Gallery/David Piper

Forty of the finest return home

Dulwich Picture Gallery

In October last year, 40 of the finest paintings in the Dulwich Picture Gallery went walk-about in Japan. Now the gallery welcomes them home.

Once again Rembrand's young girl leans dreamily on her window ledge, heedless of the haunted and haggard face of the young man brooding at the other end of the room. The girl was noted by Hazlitt, visiting the gallery in 1823, as one of the "most remarkable and pleasing" paintings there, though he did not single out thet young man (then thought to be a school piece) now agreed, signed and dated 1663, to be a masterpiece of Rembrandt's later years.

In the same room is *Jacob's Dream*. This became one of the most popular and celebrated images well into the 20th century, and was indeed approved by Hazlitt — "that sleeping figure, thrown like a bundle of clothes in one corner of the picture . . . with those winged shapes, not human, not angelical, but bird-like, dream-like, treading on clouds, ascending, descending through realms of endless light, that loses itself in infinite space". Hazlitt continues: "No one else could ever grapple with this subject, or stamp it on the willing canvas in its gorgeous obscurity but Rembrandt!"

I hope no one is deterred from concurring with Hazlitt's appraisal of the numinous mystery of the "willing canvas" by the discovery (in 1946) of the signature of Aert de Gelder on it. The quality of Rembrandt's imagination did not die with him, and this painting by one of the later but perhaps the most gifted of all his pupils (de Gelder was not even born when Rembrandt painted the young girl) is proof enough of its enduring vitality.

Attributions have of course gone up and down in the last 200 years, but the same is far from necessarily true of the quality, while the variety of the Dulwich collection is hardly less striking than the quantity and quality of its finest holdings. In the same side gallery as the three mentioned, are not only a very grand Ruisdael of a waterfall, but two large paintings by painters less renowned (Wynants and Weenix) but performing far far above their usual standard.

These have all been wintering in Japan, together with 35 others. One little trio, grouped together, offers as much brilliant evidence of the health of painting in England around the mid-18th century as one can find anywhere. The Canaletto of Old Walton Bridge on the Thames, startingly vivid in a long low light, lucent as if in sun washed by recent rain; the early Hogarth of a family group fishing, lightly delicate in touch almost as Watteau; and then one of the supreme masterpieces of the young Gainsborough in his Suffolk youth—a young couple at ease, though dressed in their best, happily improbable in the countryside, surpassing in some respects (the pair looks much more agreeable for one thing) the more famous Mr and Mrs Andrews in the National Gallery.

If you want the French, the justly celebrated Watteau, *Les Plaisirs du Bal*, is back, and so is the magical Claude of *Jacob and Laban with his Daughters*, of which no better example of that painter's genius in distilling light into distance is to be found. In contrast, the resonant and horrific ceremonial of the great Poussin showpiece *The Triumph of David* displays the young man bearing the severed, obscenely gross head of Goliath aloft on a pole through a joyous exclamation of gesture and colour. (Hazlitt saluted the great group of Poussins, for which Dulwich is famous, but disliked with characteristic Hazlittian intemperance Lebrun's *Massacre of the Innocents* for being "French", and "not good": one wonders how it appealed to the Japanese.)

But how fortunate for Dulwich-dwellers to have this extraordinary gallery in an elegant repository, designed by one of the greatest of English architects, Soane, on the doorstep of their village; many capitals are less well endowed. The collections go back to Alleyn's inclusion of some paintings in his founding of Dulwich College in 1626, but the injection of major artistic quality came with the Bourgeois-Desenfans bequest of 1811. The nucleus had been consolidated by Desenfans (profiting brilliantly from the dispersal of French private collection in the Revolution) acting on a commission from the King of Poland. That commission lapsed when Poland itself lapsed, split into three by Russia, Prussia and Austria. Attempts to sell the collection to Russia, and then to the British Government failed, and it was the school and villagers of Dulwich who came to have what might have been a national gallery three times over.

That the villagers of Dulwich — and indeed all-comers — should be deprived of so many of the masterpieces of this precious amenity for nine months must be of concern, even though enough remained at home to almost launch another national gallery (none of the fabulous Cuyps, or the Rubens, for example, went on the trip). To describe the peregrination as a "walk-about" is perhaps unseemly, but though Japanese museums are famous for their techniques of packing and displaying works of art, for their skills in conservation, lighting, and security, these fragile and irreplaceable works nevertheless were subjected to five different showings around Japan, five packings and unpackings, plus the long haul to and fro across the continents.

Any curator knows that this, ideally, is not right. The less paintings are moved, the better. Movement may damage their health. There must have been a huge sigh of relief when they returned safely to the gallery (the year before, a comparable selection travelled in the US). Curators, however, live in a practical world; bills have to be paid. Benefits have to be weighed against the risks. The benefits to the borrowers are obvious enough and very praiseworthy, those to the lending gallery less so. Such projects involve a great expenditure of time, paper-work, conservation, and so forth, as well as the withdrawal from their proper parish, and a temporary abdication of responsibility to the gallery's usual audience. The benefit is essentially financial. The paintings can be hired out. The return for Dulwich in this exercise was about £140,000.

Thas is, of course, a modest sum in any national institution's budget. Dulwich, however, while of national and international importance, has no claim as of right on either national or local authority funds. And why should the Alleyn Trustees at Dulwich College feel that the opening of the gallery to the public must be wholly their responsibility?

They can, with more reasonably justification than national institutions funded by tax-payers, impose entrance charges. Dulwich asks adults for a modest 80p; to charge more, I suspect, would not be cost-effective. They can mount appeals, and have done so, achieving in 1986 the first target of £500,000, but major sponsors tend to prefer the larger return they get by advertising in larger national institutions. The gallery can, however, hire out some pictures, and £140,000 for Dulwich is very significant.

If national institutions do this, outcry ensues. The projected hiring-out of the great Impressionists at Cardiff in the Davies bequest was a prime factor leading to the resignation of the Keeper of Art at the National Museum of Wales. On the other hand, even if against some murmurs of protest, the Courtauld Gallery, jewel in the University of London's crown, travelled its even more famous Impressionists to Japan and Australia to help finance the move to Somerset House. A pre-Raphaelite exhibition, based on the Ashmolean holdings at Oxford, is scheduled for Japan. It is the major private museums like Dulwich, and the major university collections like the Courtauld, the Ashmolean at Oxford, the Fitzwilliam at Cambridge, that are most under financial duress. Dispersals already made by universities at Newcastle and Swansea are, to put it mildly, ominous.

At the Dulwich Picture Gallery, they have in a showcase some visitors' books. One has Gladstone's entry (June 13 1868) another Asquith's (November 17 1922). Two prime ministers — both Liberals of course. But one of Dulwich's most recent householders, Margaret Thatcher, may make herself felt in more substantial form than a signature in a visitors' book. And what about the Minister for the Arts?

Jenkin's Ear/Royal Court

Michael Coveney

In the wake of *Kafka's Dick*, *Jenkin's Ear* shows the Royal Court once more touching on the sensitive tissues of the day. Kafka just about held on to his appendage in Alan Bennett's play, but Dusty Hughes's hero, a seen-it-all war correspondent tracking down an old friend in a small Latin American country north of Nicaragua is rendered earless while rapidly becoming legless in a downtown bar.

That offstage incident is provoked by Bill Jenkin's friendship with the poet-priest Rigoberto whom he hopes will lead him to Mary Tennant, an old flame in French West Africa who has gone missing while working for Christian Aid. Suspected of collaborating with the Sandinistas, she might have been bumped off by American intelligence. But the Minister of the Interior, the sinister Ruiz (Nadim Sawalha), who is himself pursuing an affair with the junkie daughter of an American diplomat, has other reasons for maintaining an air of confused hush-up.

Confusion, in fact, is the overall name of the game in David Hayman's production. It fails to elucidate the flashback device of unravelling a mystery in the binding shape of Bill's last column. And Bill himself, described by the author as alert but frail, is given a damagingly incoherent performance by Robert Urquhart.

In Jenkin's rivalry with a young protegé on The Times, Foster, we detect a potentially gripping encounter between the objective humanism of a latter-day James Cameron and the rapacious tactics of a nasty scoop merchant. However, while Mr Urquhart dithers chaotically, scrambling many of his well-built speeches, Nicholas Grace as Foster, a smug veteran of the Falklands campaign, is altogether too bug-eyed, laundered and deferential as this scheming guttersnipe.

Mr Hughes makes no bones about reproducing in the programme his diary of a flying Nicaraguan sojourn. But his one-off impressions sound trivial in stage dialogue often more glib than witty. This effect derives, I suspect, from an ambition to cram too much in. There are as many themes here as in Graham Greene's Argentinian kidnap masterpiece, *The Honorary Consul*, and they suffer from scant treatment.

Geoff Rose's design of white-washed arches and a green, three-tier jungle that resembles a mouldering wedding cake with a stone crucifix on top, is first invaded by women bearing placards in memory of the "Disappeared." As the thriller narrative is clumsily developed, we lose sight of the impassively bereaved Nora (Gloria Romo) who has lost three sons and represents "the mocking soul of the country."

The ethics of journalism debate—not as well organised as in David Hare's *A Map of the World*, an obvious model for this piece—swamps the political and strategic topics briefly raised elsewhere: the conflict between Latin American priests and the Vatican, the "new Vietnam" question of Nicaragua, the plight of a decimated and poverty-stricken population.

Alfred Molina has forsaken the energetic high ground of *Serious Money* for the righteous swamp of his beleaguered congregation. His priest is a sympathetic activist hamstrung by peripheral inertia and the unconvincing habit of delivering long Polish jokes while bandaging the seriously wounded. Phyllida Law is grotesquely unlikeable as the American movie actress turned Ambassador, Harriet Bagnall fleetingly effective as the confessional heroin addict.

Sylvia Plath/Jacob Street

Clement Crisp

The new German dance theatre is best known to us from the work of Pina Bausch. In her pieces we have entered a world of allusion, cross-breeding between dance and drama, where a masterly control of diverse elements involves us in precisely judged effects which are unique to this form. Johann Kresnik's *Sylvia Plath*, presented this week by the Heidelberg Dance Theatre as part of the Festival of German Arts, is clearly placed within Bausch territory, but seems a more hazardous and heavy-handed construction.

It is conceived as a narrative, sprung from the last days of the poetess's life, in which the matter of her unhappy existence is played out in 23 scenes. Tuesday night's first performance ran for nearly two hours, without an interval, and strained one's tolerance of the idea of theatre-dance quite as much as the little-ease seats in the Jacob Street Studios (situated over the Thames from Tower Bridge) numbed one's lower back.

The setting is a tunnel-shaped stage, very deep, lined with dressing tables and clothes which are used by the 18 members of the cast. The location is well conceived, but the harsh, pile-driver style of the action, the constant to-ing and fro-ing of articles of domestic furniture over which the performers climb and generally rampage, proves all too unrelenting in charting Sylvia Plath's tragedy. A knowledge of her life and writings would seem to be a prerequisite for grasping the disjunct matter of the drama. Parts are self-explanatory — the rival demands of domesticity and literature; the treatment for mental breakdowns — but the brutish outbursts of transvestism, the zany activities of her family (including a one-legged grandfather), teeter constantly on the very edge of the risible.

At the heart of the work is the strong presence of Kate Antrobus as Sylvia, in a performance of remarkable emotional and physical stamina. Surrounding her, the Heidelberg troupe battles mightily with events; nothing, though, persuaded me that their frantic behaviour was anything but over-emphatic and self-indulgent. There is a dramatically apt score by Walter Haupt, and effective design—excellent use made of yards of fabric—by Anne Steiner.

Saleroom/Susan Moore

World record for netsuke

A new world auction for a netsuke was set at Sotheby's in London yesterday. London dealer Eskenazi paid £110,000 on behalf of a private American collector for a 3 in ivory study of a *baku* carved by Gechu, an artist working in Osaka at the end of the 18th century. Only recently discovered in a cupboard in Vienna, it more than doubled its estimate and the previous record of £44,000. It is by far the finest netsuke to come on to the market in 15 or 20 years.

Both the artist and the subject are extremely rare — the two together proved an especially covetable combination. The only other piece of comparable size and quality is in a collection in Japan. A *baku* is a mythical creature, part lion and part elephant, whose magic power was to devour bad dreams. Summoned by the words "Devour O baku" it was a popular decorative subject for the sleeping quarters of Japanese houses. This slightly worn and stained figure is powerfully carved, the curl of his trunk echoed in the stylized curls of his mane and tail.

Eskenazi also secured a fine 18th-century ivory study of a deer for £44,000, more than double its estimate, and a compact study of a recumbent horse by Tametka for £12,100 (estimate £3,000-£4,000). Confusingly, the American dealer Ashkenazi paid £26,400 for a tigress with her cub, carved by Tomotada in the 18th century. This finely rendered ivory stands less than 1½ inches high. An ivory bitch and pup by the same artist sold on target, too, for £22,000. The morning session totalled £456,986 with 8.39 per cent unsold.

The surprise top lot at Sotheby's sale of Victorian painting and sculpture was a riverscape by Benjamin Williams Leader of 1879, *On the Llugwy, North Wales*. It went to London dealer Williams & Son for £26,400. Alfred Augustus Glendening Jnr's boating scene, *On the Avon at Stratford*, changed hands at £23,100 (double the estimate) as did a typically atmospheric night scene by John Atkinson Grimshaw. Both went to the same anonymous bidder. Some 22 per cent of the auction failed to sell. The paintings totalled £927,520, the sculpture £20,735.

At a cricket sale at Phillips yesterday, a full set of Wisden sold for £11,000. The proud new owner is dealer J. McKenzie. The 17 cricket bats signed by all the members of the 1987 county teams which were sold separately in aid of the Childrens Liver Transplant Unit at Queen Elizabeth Hospital, Birmingham, realised £1,111. All but three were bought by one private collector.

Diamonds appeared to be everyone's best friend at a jewellery sale at Christie's in New York on Tuesday. A single stone ring set with a pear-shaped diamond weighing 21.08 carats was secured by a Saudi Arabian bidder for £477,904, while another single stone diamond, this time rectangular and weighing in at 21.93 carats, went to a private Swiss buyer for £171,257. A yellow diamond, mounted in yellow gold and signed by Webb, made £158,083. The sale totalled £3,835,851 with 10 per cent bought in.

"Breaking the Code" transfers

Breaking the Code by Hugh Whitemore, at the Theatre Royal Haymarket, will transfer to the Comedy Theatre on June 17. John Castle takes over from Derek Jacobi in the leading role as Alan Turing.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 12–June 18

Exhibitions

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

ITALY

Venice: Ca Pesaro: American Art in the 60s from the Ludwig Museum in Cologne: Works by 25 artists, from Liechtenstein to Rauschenberg, Oldenburg, Rosenquist, Warhol, Lewitt, Dine, Stella, Noland and Paolazzi. Ends Aug 2.

SPAIN

Madrid, masterpieces of the Duchess of Alba collection. Spain's best private collection offers a thorough view of Spain's history enriched within centuries by family legacies from the 16th century to the 20th. Sculptures, engravings and paintings include Titian, Rubens, Ribera, Rembrandt, Mengs, Goya, Renoir, Beinllure. Centro Cultural la Caixa, Serrano 60. Ends Jun 30.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

IBM Gallery: 96 paintings of pre-modern Viennese art from the second half of the nineteenth century includes works by Klimt, Romako and Makart; and 120 drawings show proposed and actual Washington government buildings. Ends July 11.

WASHINGTON

National Gallery: 61 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

TOKYO

Ukiyoe of the Meiji Period (1868-1912). 60 prints portray the decades after Japan's opening up to the West as a kaleidoscope of clashing cultures. The jostling of Kabuki actors in sumptuous kimonos with Japanese beauties in frilled Western dress and imported technology though, produce the, by now, familiar incongruous mix that characterises Japanese culture. The enthusiasm for Westernisation is seen in the lively, often comical, prints and provides some insights into the unique beginnings of Japan's long and turbulent interaction with the outside world. Riccar Museum, Ginza. Ends June 28. Closed Mon.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Berthe Morisot: More than 40 oils, pastels, watercolours, crayons and sculptures retrace the development of the woman painter who, influenced at first by Corot, became a friend of the Impressionists and took part in their first exhibition. Galerie Waring Hopkins, Alain Thomas, 2, rue Miromesnil (42655105). Opened all days except Sundays and lunchtime. Ends June 27.

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Thursday June 18 1987

Vacuum in the White House

THE PROBLEMS of the Reagan presidency are now a matter of international as well as purely US concern. Any president trying to work through his final term with a hostile Congress is to some extent immobilised domestically; but in the past the international role of the US has not been gravely affected by this problem. Indeed, given the continuity of US foreign policy, outgoing presidents have tended to be increasingly preoccupied with foreign affairs towards the end of their terms of office.

President Reagan is no exception to this rule. It has long been clear that disarmament would be his main preoccupation in his last two years. Thanks to the Soviet response and to the matching interests of the new White House Chief of Staff, Mr Howard Baker, the momentum for arms control has even been increased.

In all other respects, however, the President seems to have lost all his previous drive, and along with it nearly all of his remarkable charisma. At home, starved of the warm response he could infallibly arouse for his first six years, he seems now more preoccupied to defend some past actions (and to disown others) than with any forward leadership. His vetoes are now vulnerable, his attempts to appeal over the heads of Congress to the television audience fall flat.

This is partly a problem of Mr Reagan's own psychology. It is still possible that if he can rebuild his self-confidence during the summer recess, his present critics will be willing to keep their strictures for his advisers. The President clearly meets a deep need when he persuades his fellow-citizens to walk tall; many must want him to recover.

Generous approach

It seems much less likely, however, that he can recover his international prestige. Heads of government know only too well the problems of an administration in disarray. Mr Reagan's political difficulties at home and the extraordinary administrative mess revealed in the Irangate hearings can only devalue his promises and disarm any threats he may make.

This was only too evident at the Venice summit. Where in Tokyo the President had set the agenda, in Venice he could hardly even obtain acceptable wording for what was in essence a standstill communique. Yet his agenda—covering effective international policy co-ordination, freer access to protected markets, and especially a timetable to reduce agricultural protection — was both relevant and urgent.

These are not US preoccupations. The main international organisations are likely to endorse them emphatically, as the Gatt has already done over trade, and the Bank for International Settlement over policy co-ordination and over a more generous and systematic approach to third world debt.

Irresistible challenge

US agricultural interests are not, of course, those of the over-protected farmers of Europe and Japan, but they are very much those of consumers everywhere, and of producers in the thir dworld as well as Latin America and Australasia. Indeed, more rational agricultural trade is of especial importance to industrialised countries. The growing wave of industrial protection is in part provoked by the gross distortions of the agricultural market.

Mr Reagan's domestic problems will prove an international tragedy if the causes he was urging wilt for lack of political leadership. The European Community, in a rational world, ought to be ready to provide it; in fact it is divided, inclining itself to protectionism, and an obstacle to progress on farm policy.

If the vacuum is to be filled, some new grouping will be required, and this should now surely be a major preoccupation of British foreign policy. Mrs Thatcher is now in a more secure domestic position than any other leader in the industrialised world, and enjoys enhanced international prestige.

Her own instincts on trade are also those of the President — not least on farm questions; Britain's hopes of further sustained economic recovery depend crucially on the growth of world trade, and London is the acknowledged centre of expertise on debt. While this is certainly not an occasion for the visible leadership from the front at which the Prime Minister excels, the situation should be seen as an irresistible challenge to British diplomacy.

The restless Alliance

THE BRITISH general election result last week was disappointing for the Alliance in general and for its SDP wing in particular. Of that there can be no doubt. The Alliance won barely 23 per cent of the vote, more than two percentage points down on its performance in 1983. It has returned only 22 MPs, again slightly less than in the previous general election and with some of the successes in the intervening by-elections wiped out.

It did not even remotely achieve its objective of a hung parliament. Nor did it surpass the Labour Party in the popular share of the vote.

Within the Alliance, the result was uneven. The Liberals won 17 seats; the SDP only five. No amount of panache from Dr David Owen, the SDP leader, can wholly make up for the fact that in the House of Commons his party is short of troops.

Thus, perhaps not surprisingly, Alliance leaders have begun an immediate inquest into what went wrong. Or, to be more accurate, some of them want to take action before the inquest is complete. That goes especially for the Liberals, some of whom are calling for a full merger and whose leader, Mr David Steel, is calling for something called "democratic fusion"; *precisely* the kind of woolly phrase that has led the Alliance into difficulties in the past.

Unquestioned errors

Such haste could be dangerous. It was an exhausting campaign, the outcome of which was dispiriting for both Davids and their followers. Yet there is time in hand, the summer holidays are about to arrive, and what the Alliance needs most is a period of reflection.

Looking back on the result, it may not always appear quite as bad as it did on the night. To win 23 per cent of the vote is still to have a sizeable impact on British politics. Just as the Alliance's recurrent successes in by-elections deservedly give the system a jolt, so its ability to command nearly a quarter of the electorate is a reminder to the two big parties that they cannot rely simply on the support of their own loyalists.

Also in retrospect, the Labour Party result looks nothing like as good as expected when everyone was still dazzled by the brilliance of Mr Neil Kinnock's campaign. Labour's share of the vote went up by little more than three percentage points. It made net gains of only 20 seats while losing some marginals to the Conservatives.

The figures do not suggest either that Labour has made its comeback or that the Alliance is necessarily down and out. On the contrary, they show how much there is still to be played for.

That the Alliance made mistakes is beyond question. The twin leadership was one of them. Scarcely a day passed without the two Davids having to clarify what one or other of them had said. It was probably also a mistake to go for a hung parliament rather than simply the largest possible vote. Moreover, anyone who looked below the surface could see that the kind of politics presented by Dr Owen was different from that of many Liberals. On nuclear defence, the differences came into the open at the Liberal Party Assembly and were never entirely forgotten.

Good rest

None of those errors, however, can be rectified in a few weeks in the aftermath of electoral disappointment. Indeed it may well be that even after a period of reflection a full merger will not seem the right approach. Dr Owen will want to think very carefully before sacrificing his distinctive brand of social democracy to a Liberal Party of which, it appears, he only half approves. And his supporters should be clear about what is on offer: it is not so much a 50-50 deal as a Liberal takeover. The Liberals will be always with us. It would be a pity if the Social Democrats were to die so young.

Still, there is no need to rush. Apart from contemplating its own condition, the Alliance needs to look at the political scene as a whole. How the Labour Party reacts to its own failure to break through will be one of the factors to be taken into account, and that is unlikely to be known before the autumn. Meanwhile, the Alliance deserves a good rest.

SOUTH KOREA

Economic miracle, political debacle

By Maggie Ford in Seoul

SOMETHING changed in South Korea last week. After seven years of hoping that democratic change might come through the institutional channels set up by the military government, the people's patience ran out.

For the first time since President Chun Doo Hwan came to power, the Government decided to make a conciliatory gesture by withdrawing its riot police from central Seoul. Thousands of students were joined for the first time in years by ordinary Koreans, including thousands of office workers, in a stunning show of opposition to continuing military-backed rule.

The hundreds of thousands of educated South Koreans—since 1966, more than 750,000 students have graduated from South Korean universities—have shown they want more than just economic development.

Under the governments of both President Chun Doo Hwan and President Park Chung Hee, this new, youthful middle class has superintended South Korea's miracle of growth. As bureaucrats and company managers in the professions and the universities, they have turned the country into one of the economic success stories of the decade.

But political development has failed to keep pace. Now, the middle classes are speaking out.

The latest outburst of frustration was sparked off by the President himself. On April 13 he announced in a nationwide broadcast that talks betwen the Government and the opposition to revise the constitution and hold genuinely democratic elections would be called off. He said the decision was forced by dep divisions in the opposition, which threatened South Korea's political stabiilty.

The Government moved at the same time to prevent the main opposition leaders, Mr Kim Dae Jung and Mr Kim Young Sam, from engaging in politics. The two Kims had shocked the Government by forming a new and united opposition party under their leadership. Known as the Party for Reunification and Democracy, it drew a majority of MPs from the fragmented New Korea Democratic Party.

Mr Kim Dae Jung has been placed under long-term house arrest, denied visitors and his telephone and mail are monitored. Mr Kim Young Sam has encountered serious difficulties in setting up the new party, with many of its supporters under arrest and its meetings disrupted. Under the country's national security laws, even the party platform could be declared illegal.

Disillusionment with the Government did not happen overnight. It was a gradual process that followed the long-term breakdown of dialogue between the Government and the opposition.

In dribs and drabs, statements in favour of democracy began to come out. First, scholars and academics, leaders of the educated community, risked promotion prospects by signing public calls for democratic change.

They were followed by authors and journalists, film makers and artists, lawyers, pharmacists and dentists. Women, denied the professional job opportunities of men, but just as well educated, also made a stand.

Meanwhile, on the campuses, the students continued their show of protest in favour of democracy. Backed by the Catholic church, which has continually argued for peaceful change, the pro-democratic forces showed their hand for the first time publicly last week.

With anger fanned by revelations of the death of a student tortured by police, combined with a fraud scandal involving several senior businessmen, the educated middle class came out of its offices and cheered on the demonstrators. The students' tactics in provoking the use of tear gas by police at a recent soccer match sounded a warning loud and clear in the offices of those organising next year's Olympic Games.

They made their views known on the day that President Chun's chosen successor, Mr *Roh Tae Woo, was being elected* by the ruling party as its presidential candidate. The election, to be held later this year under the old constitution, does not allow the opposition to win—the electoral college which chooses the president is stacked again them.

The political atmosphere in Seoul since then has been charged with a mixture of both excitement and anxiety. "We are enduring," said one graduate businesswoman. "We all want to demonstrate, but we know we must not provoke them too far."

The educated class well remember the events following the assassination of President Park Chung Hee in 1979. A small door leading to democracy opened then. But when the people rushed through, they found it closed behind them by President Chun, who took power in a military coup two months later. They are determined not to let that happen again.

The Government's decision to withdraw riot police from around Seoul's main cathedral on Monday and allow occupying students to leave without being arrested demonstrated the wisdom of their decision to exercise self-restraint.

Their success presents the established political parties with the challenge of regaining the initiative from a movement which has acted without leaders. The people's message is clear: they want change with stability. They are prepared for it to be gradual, but it must start now.

Mr Roh has offered some opportunities for dialogue with the opposition; but so far they haev not seen the overtures as sincere. Any plans he may have for liberalisation—more progress on freeing the press, or the offer of some kind of fair elections—will be boosted by the strength of the people's attitude.

The demonstrations will also provide encouragement for the soft liners in the ruling party, who suffered a severe setback in the aftermath of the President's April speech.

For the established opposition, thepicture is less clear, not least because Mr Kim Dae Jung- its most charismatic leader, is permanently confined at home and has not been allowed to appear in public for seven years.

The educated middle class came out of its offices and cheered the demonstrators

Members of the middle class are keen for information about Mr Kim, who has been branded as an authoritarian radical by the ruling camp. They are not sure whether or not he is in tune with their ideas, nor indeed even how he sees the political and economic development of the country.

In an interview after President Chun's speech, Mr Kim said the president had made a "grave mistake." Predicting correctly that the people would severely criticise this undemocratic attitude, he said he believed that they would succeed in achieving their goal of democratisation and reconciliation. Economic stability would lead to freedom, he added.

As to the people's feelings about him, he said they recognised his loyalty to and faith in democracy. "As long as the suppression goes on, the people will not abandon the leader with the best credentials," he said.

Mr Kim's banning from political activity dates from his conviction on a charge of sedition in the early days of the Chun Government. He was accused of fomenting the civilian uprising in the provincial city of Kwangju while he was in jail. Hundreds died in that uprising and the fear remains in middle class circles that the desire for revenge among Mr Kim's supporters will be too strong for him to resist — thus making him an unacceptable leader to the military.

His co-leader of the Reunification Democratic Party, Mr Kim Young Sam has also suffered continuous harassment over the years for his political activities. His more conservative instincts appeal to the middle classes, but concern remains that he does not have the strength of conviction and moral authority needed in any future democratic state.

Both men will be watched carefully to see whether they can lead a united people's opposition movement. Both have strong links with the Christian church, which played a prominent role in the last week's events.

Christianity in South Korea is a growing faith, now followed by about 25 per cent of the population. A minority are Catholics, but nuns and priests have been active in helping underprivileged groups. Cardinal Stephen Kim, the primate, has been exceptionally careful in his public statements, but last week he came out firmly in favour of democracy. The church's negotiations with the police were crucial to the peaceful departure of the students to their campus on Monday.

Buddhists, normally uninvolved in the political process but representing a majority of South Korean believers, have staged demonstrations in the weeks following the May commemoration of the 1980s Kwangju uprising. Police in Seoul fired tear gas into the city temple while the Buddhists were holding a memorial service for the uprising's victims.

Unlike most demonstrations of feeling against an unpopular government, workers have not been at the forefront of this protest. This is partly because traditional trade unions are banned in South Korea — the few strikes which have occurred in recent years have been firmly put down by company managements help by the police.

Workers, who are provided with substantial company benefits on the Japanese model, frequently live in compounds attached to large industrial sites situated well away from the main urban areas. They are believed to be keen not to jeopardise the continued improvement in their standard of living by joining in political activity.

The middle class is now returning to its basic task: further improving South Korea's economic performance (growth was up to 15.6 per cent in the first quarter of this year), working out ways to deal with inflation and other problems arising from the country's first trade surplus ($4.8bn last year) and studying whether changes ought to be made to the country's export-led development strategy.

Some of the more influential members will continue their campaign to allow foreign investors into the country's stock market, while at the same time protecting it from what they see as the possibility of exploitation.

Exploitation is a word that particularly comes to South Korean minds when they think about the US. Mr Roh, in his speech last week, referred to the "self seeking rivalry of the superpowers" over Korea's future and the "vicious trade war."

While many older South Koreans remain deeply grateful to the US for its help during the Korean war, and appreciative of the 40,000 troops stationed in the country, the middle class continue to wonder about Washington's real motives. For many, US protestations—about non-interference in Seoul's internal affairs and about promoting South Korean democracy—ring hollow. Democracy, they believe, is far less important to the US than the role the country plays in US regional policy and the conviction runs deep that the US wishes to maintain the military-run Government in power.

Men and Matters

Italy's body politic

Only Britain's Ealing Studios of the 1950s could have done full justice to the election to the Italian Chamber of Deputies of 37-year-old Hungarian-born Ilona Stabler, rather better known as Cicciolina, the star of Italian porno movies.

In fact, she is immensely better known—which was probably her intention—after five weeks campaigning, mostly topless, for the Radical Party.

The Radicals bring more fun and theatre to Italian politics than any other party but even before last weekend's election, it seemed that the Ciciolina joke was rebounding and possibly costing votes among its more serious minded supporters. The citizens of Rome, however, have carried the prank to its ultimate conclusion and actually elected her with around 15,000 preference votes, a total exceeded only by her party's leader, Marco Pannella.

Putting the best face on their embarrassment, the party leaders decided on Tuesday evening that the blonde and saccharine phenomenon should represent them on a televised election analysis. Realising, perhaps for the first time, what she had let herself in for, the lady confined herself to reading out Radical declarations on the sisues raised.

She says she will attend parliament during the week and devote the weekends to her "artistic" activities. Her priorities are to fight against the "true obscenities"—arms, drugs and censorship.

Another candidacy which may not have gone quite as intended was that of Guido Rossi, the former chairman of Consob, the Italian stock exchange's regulatory authority. Rossi has been elected on the Communist Party's independent left ticket for the Milan region, but he garnered a disappointingly small number of preference votes.

Licking their wounds after the party's loss of 3.3 percentage points in the elections, some old timers are saying that the Communists confused and alienated some of their traditional supporters by running the likes of Rossi.

The election took a toll elsewhere, particularly among the smaller parties. The Liberals have lost Valerio Zanone, industry minister in the last government, and their former president and oft-times minister, Aldo Bozzi.

No Pen-friends

The French edition of Playboy has been a sell-out this month thanks to an unusual "playmate"—Madame Pierrette Le Pen, the 50-year-old wife of National Front leader Jean Marie Le Pen.

The Le Pens recently separated and are in the process of divorcing. Le Pen said after the separation that if his wife needed money she could go out and earn her living as a maid.

Madame has now taken her husband at his word and posed as a steamy femme de menage for the French edition of Playboy. She has also given a critical interview about her husband.

The head of Europe's largest extreme right-wing party has tried to brush off the incident with characteristic male chauvinistic humour. But he has clearly been put out by the unexpected way his estranged wife has upstaged him

The success of Madame Le Pen's erotic photo display has also taken Playboy by surprise. Already, avid French readers have bought 300,000 copies and the issue is being reprinted.

Nor is it just her husband's political opponents who are applauding her action. A large number of middle-aged French women say she has helped to restore their image.

Sugar's suite

Alan Sugar, chairman of Amstrad, has always done things his own way in taking the company he founded from nothing to a multi-million pound enterprise. Yet he has now fallen into line with other corporate bosses in one respect—at last he has an office suite to match his status.

One of the highlights of a visit to Amstrad's headquarters used to be the sight of Sugar directing his fortune—on paper one of the largest in Britain—from an ageing leather chair, surrounded by his staff in an open plan office.

Now a separate staircase leads to Sugar's plush roof-top office, though he still spends as much time wandering around the rest of the building as in his perch.

His office comes complete with a high tech drawing board, where this week he had written the margins expected from one of the new products he is launching this year. Nestling on a table was a prototype of one of those new products itself.

Sugar ignored it to indulge in one of his favourite pastimes — having a go at those in the *City who have been downgrading* their forecasts of his profits for next year. "The quality of some of the analysts is not up to scratch. They don't talk to us and then come up with their own ideas."

He reckons some analysts are waiting for Amstrad to crash as other high-flying British computer companies have done before it. "While I'm alive and walking, this company will never make a loss — and that's a guarantee," Sugar insists.

Tynesider

Alistair Balls, who has been appointed chief executive of the new Tyneside urban development corporation, is one of the most popular bureaucrats that Whitehall has sent to the region.

In an area where central government is seen as frequently unsympathetic, he has managed as the Environment Department's representative since 1984 to win friends and respect in the public and private sectors alike. That will stand him in good stead as manager of the body that Nicholas Ridley, Environment Secretary, hopes will regenerate the urban blight along the banks of the Tyne.

Not least to Balls' credit is the very visible improvement to a few streets in the centre of Newcastle. Government grants, gained with his help, have helped to transform them into a flourishing little enclave of shops and restaurants which proves that there is life still in the inner cities.

Current events

London taxi driver, bemoaning spiralling property prices in his native docklands: "Just look what they are doing to Millwall. They are making it into an offshore Kensington."

Observer

"As an ex-government minister you probably don't realise that there are three million before you"

Economic Viewpoint

A much needed antidote to hubris

By Samuel Brittan

MACAULAY ONCE said that he hoped his History of England would displace the latest romantic novel for a few weeks from the fashionable young lady's table, or words to that effect. The authors of Apocalypse - 2000* would not claim to be Macaulay; but they have managed to make a hypothetical future history of the western economy readable and even entertaining.

There cannot be many writers who make readers eagerly turn over the page to find out "what happened next" when the actions involved are, despite the publisher's hype about the more lurid aspects of breakdown, often matters such as import controls, or budgetary and monetary policy. The interrelation of actions—many of them apparently reasonable, or at least, seen as the lesser evil at the time—in different parts of the world leads to a terrorised US, akin to present day Lebanon, and a united western Europe under a dictator figure, who reminds us that fascism is not just a term of abuse, but does have an economic content.

If any non-specialist reader should worry that the index—a chronology would have been more useful—should refer to abstractions such as the NAIRU or Money GDP, he should immediately look up "Olaf D. Le Rith," the demagogue in question, whose portrayal alone justifies the book.

He is "the son of a German-Swedish father and a French mother, who had been educated at schools in England and Italy and at the Sorbonne." An unhappy year on a scholarship in California has given him a profound contempt for "American non-civilisation," and his testament published "in the mid-1980s" is entitled Europe First, which later becomes the name of his political movement (EFM).

He concentrates his drive for power not on national parliaments, but on the directly elected European Parliament, which he transforms from a harmless, bumbling body into the main instrument of his movement. His first great success is to persuade French National Front Euro MPs, after the departure of Jean-Marie Le Pen, to switch to his movement. But Le Rith is skilful enough to attract many Greens and ex-Communists too. By 1991 the British Prime Minister is regretting "the yawning vacuum of the directly elected European Parliament, which we all went along with so casually without a thought to the potential for irresponsible power that we were creating."

Le Rith's economic message is a form of Euro-nationalism designed to appeal to both left and right. Heavy unemployment, he claims, is due to unfair competition in industries where Europe ought to be self-sufficient.

In the June 1994 Euro-elections, his EFM receives a clear majority. His first act is to organise a victory celebration in Venice. The Le Rith celebration has everything: the most dramatic fireworks display ever held over the Grand Canal, and the Pope preaching in St Mark's Square. ("If the EFM were going to be the new masters of Europe, then the Vatican had better get on the right side of them at the start.")

Le Rith's own speech has two slogans: work and discipline. He insists that "no out-of-date politicians will stand in our way." His main demand is that the Commission should be directly appointed by the European Parliament, which bebecomes the *de facto* government of Europe.

Le Rith's first act is to impose exchange controls. When the *foreign exchange markets* reopen, there is a new European central bank located in the premises of the Bank of England, governed by a former head of the Bundesbank and a long-standing Le Rith admirer. Foreign exchange controls are bolstered by a foreign travel allowance, itself reinforced by exit visas for all non-European travel. After this, draconian import controls are almost an anticlimax.

Le Rith's work and discipline programme, takes to their logical conclusion many of today's work creation ideas. There is a European Pioneer Corps, compulsory for all 15-25-year-olds without a job. It brings down the unemployment statistics with a bang. The older unemployed are offered retraining, and "residential rehabilitation centres" if they prove reluctant. The retirement age is brought down to 60 and there is compulsory repatriation of "immigrants."

Do not these measures, accompanied by more conventional monetary and fiscal expansion, lead to inflation? Le Rith's remedy is simple. A "family price index" of a few essentials is constructed; and the main items are held down by control and subsidy, thus "stabilising the cost of living." This, together with the new European Security Force, entitles Le Rith

THURSDAY BOOK REVIEW

to impose a wage freeze. It is not long before direction of labour is imposed, and control over place of residence.

But the gains from sacrificing freedom prove ephemeral. Lack of incentives, bottlenecks and inefficiency put the living standards of those at work for the first time in many decades on a declining trend. Even the import and exchange controls backfire, as the number of jobs they gain is more than offset by jobs lost through falling overseas income and retaliation.

Opposition does not get far however, in view of detention without trial and press and broadcasting censorship.

Unemployment is eliminated only "because of the appalling inefficiency with which the over-centralised and over-regulated economy was now operating." People transfer from the dole queue to the bread queue.

This account of the unexpected and unintended results of many policies in vogue in 1987 throughout the political spectrum kept on reminding one of Hayek's Road to Serfdom. Those readers who will delight in the Kinnock-style attacks on "uncaring" Thatcherism and Reaganism earlier in the book will need to read the Le Rith sections carefully if they are not to jump out of *the frying pan into the fire*.

The epilogue on "How and Why" does not pretend to be more than a sketch.

Europe is told that it should have phased out much sooner its subsidies to older industries and is criticised for the inflexibility of its labour markets. But governments which try to face up to these problems are criticised for following the economics of the jungle.

There may be social market policies which would enable us to combine the best of both worlds, despite what happened to the Alliance in the recent British election. But I was disappointed that, so far from updating and extending Peter Jay's earlier analysis of malfunctioning and monopolistic labour markets, and developing his suggested cures, we are given but a cursory hint; and the book ends with conventional strictures on present - day governments for "not caring enough."

The main interest of the book does not lie in the diagnostic epilogue, but in the all-too-plausible narrative explaining how a series of undramatic acts cumulate, as in catastrophe theory, in an apocalypse. The authors' own account of the failures of a sophisticated Democrat president supposedly elected in 1988 and of a strongly entrenched SPD government in Germany, neither of which can be accused of lack of care, suggest that something deeper is at work.

At every stage in the narrative governments are either attacking inflation and finding unemployment soaring yet higher, or finding their expansionary anti - unemployment measures brought to a halt by soaring inflation. The implication is that the point of balance—the rate of unemployment at which inflation is stable — has not only deteriorated compared to the 1960s and 1970s, but will continue to deteriorate. But neither the authors (nor anyone else) has explained exactly why.

Reading Apocalypse 2000, it is the international implications which seem to hold the key to the tragedy. The decent Democrat president, frustrated by middle-class interest groups in his attempts at budgetary reform, turns to import controls. This deflects the Japanese trade offensive on to Europe, which retaliates with more controls — and Le Rith is given his chance to call for a Continental siege economy. In Britain the final collapse is signalled by a crash in house prices which leaves a million *people unable to meet their* mortgage obligations.

Apocalypse 2000 demonstrates that serious subjects can be discussed without solemnity and with a few jokes thrown in. But who, observing the papering-over exercise at the real Venice summit of 1987, can assert that the chain of events depicted, or something like it, is so unlikely that it can be disregarded?

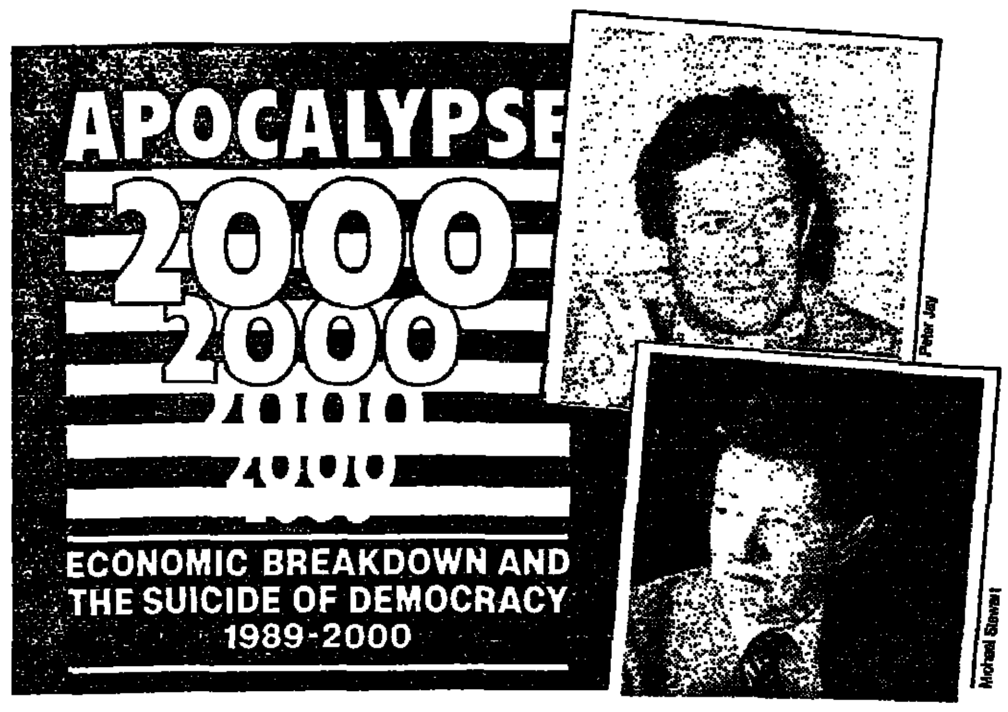
* * *

If an antidote is required to the triviality of believing that economic problems are now over and that the re-elected Thatcher Government can concentrate on settling old scores with Labour local authorities, this is it. The Chancellor has himself said that the world economic uncertainties are the main threat to Britain's own recovery.

One does not have to take Apocalypse 2000 literally to see that this qualification is no mere detail, but could be the heart of the matter. Britain does not rule the economic waves any more than the ocean ones. But why is there not some British clarion call on the international scene? The Baker plan for automatic action based on a common series of indicators may be ill-thought out and half-baked. But unless it could put forward something better, the British Government had no business supporting the negative and *immobiliste* German opposition to any systematic contingency planning.

Indeed, allowing for the difference in style and time horizon, I wonder if the contents of the new and pessimistic OECD Economic Outlook due tomorrow will read so differently from the earliest chapters of Apocalypse 2000.

** Apocalypse 2000: Economic Breakdown and the Suicide of Democracy, by Peter Jay and Michael Stewart. Sidgwick and Jackson, £12.95.*



JOE ROGALY

How to improve Tory education

NOW THAT the election is over, anyone who remains to be convinced about the Government's good intentions towards the poor and the disadvantaged faces two choices. The first is to view everything the Tories do as malevolent and therefore to oppose it vociferously. This is the path to be trodden by those who "drool and drivel" about compassion (to use the phrase Mrs Thatcher apologised for in a celebrated television interview with David Dimbleby). The more positive choice is to use the logic of the Government's own policies as a lever on behalf of the underclass.

A case in point is the sale of council houses to sitting tenants. The policy was put forward by Mr Frank Field, now a Labour MP, when he was a lobbyist at the Child Poverty Action Group, even though, at the time, the loss of a single dwelling to the private sector was regarded by Labour as a piece of Tory devilry.

His idea was to *give* the houses away; in the event the discounts have been so high and so many people have benefited that all parties are now obliged to support council house sales. (With some justice many of the new owners are turning out to be Conservative supporters).

Bear that little history in mind as the spotlight turns to education. The Conservatives' manifesto, as elaborated in campaign statements, could be interpreted as the thin end of the wedge of privatisation of the school system. Schools will be able to opt out of the control of local education authorities; they will therefore manage themselves, using state funds. There will be more City Technology Colleges—that is, more direct grant/privately funded schools. Schools budgets will be mathematical extrapolations of the number of pupils: so much per young head. Popular schools will not send those in the queue down the road but, rather, expand to take more customers.

I know that none of that is in itself privatisation, but wait. Not long before the election the Education Unit of the Institute of Economic Affairs (a *free-market temple of thought*) published a pamphlet entitled, Our Schools—A Radical Policy. Its author, Mr Stuart Sexton, was a special adviser to two Education Secretaries—Mr Mark Carlisle and Sir Keith Joseph.

Although he was dropped as too right-wing by the present incumbent, Mr Kenneth Baker, he sees the fruits of his private and published papers in the education section of the Conservative manifesto. And what he proposes is, in his words, "in some sense to 'privatise' the state education system."

His strategy is to phase this in, winning support for each separate step as beneficial in its own right. Each of the items on Mr Baker's agenda—opting out, schools' control over their own budgets, per capita grants to schools, and so on—is a step proposed by Mr Sexton.

It is possible that political prudence will prevent the Government from travelling all the way with Mr Sexton, for at his ideal destination every parent would be given an "education credit" (called vouchers when Sir Keith failed to get them through) to spend at a school of his or her choice, be that direct grant, local authority, or private. The credits would initially be taxable, but parents could choose the basic provision alone, or top up what the state provides. It would be a consumer-led system, close to the Prime Minister's heart.

What of those parents who cannot afford to top up, or those who are not middle-class intellectuals who can push their children along? "It would be reasonable to offer an enhanced value credit for the education of a handicapped child," says Mr Sexton, who, while doubtful, also allows for higher credits in the poorer parts of the inner cities.

Here is the lever for the *compassionate in all parties*. At every stage of Mr Baker's progress — whether he is instructed by Downing Street to follow Mr Sexton only a third of the way, or more than half—the question to ask will be whether there is positive financial discrimination in favour of the children of the poor.

If there is, the Tories could have another runaway best-seller, and a few more otherwise miserable children may have been given something nearer to equality of opportunity.

Letters to the Editor

Competition policy

From Mr B. Legg

Sir,—Now that the Election is over, I hope that Lord Young and Kenneth Clarke will not waste valuable time at the Department of Trade and Industry by resurrecting last year's review on law and policy towards mergers and takeovers.

A lot of nonsense has been spoken in the last year, especially in the wake of several controversial bids. Suggestions that companies should be required to prove that their offer is in the public interest, or that new laws restrict takeovers, are damaging and meddlesome.

Past experience of government interference in industry suggests that allowing political institutions rather than shareholders to decide the merits of future corporate control is unworkable. It is also at variance with the Government's strategy of spreading the benefits of share ownership more widely. Most company takeovers benefit shareholders, managers and employees. They provide impetus and new strategies, purpose and direction and an important corrective to bureaucratic and out-of-touch management.

Acquisitions are a crucial part of business activity. The present benign approach, which makes competition the main criterion for judging whether a takeover should proceed, works despite occasional flaws. A new and more restrictive approach will create far more problems than it solves.

Lord Young and Kenneth Clarke have much to do. They should be allowed to get on with the job and not be side-tracked.

Barry Legg.
Hillsdown Holdings,
32 Hampstead High Street, NW3.

North, south and mobility

From Mr A. Pudney.

Sir, — Post-election debate in the media and elsewhere suggests the existence of both a political and economic north/south divide — surely a situation which is doubly unacceptable. Almost simultaneously, it seems, we have seen more articles and comments in the Press on the inexorable rise in house prices in the south east, a situation thought by many to be caused by the rigidity of the planning system and a major contributing factor to the divide.

In my opinion present conditions restrict mobility of industry and supporting work forces. Not unnaturally, businessmen and key staff are reluctant to move north for fear that they will be unable to pay the increased prices should they want to return. Conversely people from the north are unable to move south for the same reason unless financially assisted, an option which may be available only to a limited number of employers.

Has the time not come to carefully ease planning restrictions in the south? In my opinion this would lead to a reduction in the price of land, an important element in new house prices and one which I understand can currently constitute as much as half the price of a new house. This action coupled with other stimuli for the north would reduce, and hopefully in time eliminate, the regional differential. An end to financial and political "apartheid"?

Alan D. Pudney,
Little Hyde Farm,
Ingatestone, Essex.

Switch tax to land

From Councillor R. Clarke

Sir,—One word which was never heard during all the election — never mentioned by any party — was land. Yet it is land, the price of land, the ownership of land — or rather the right to the rent thereof — which is at the base of our most pressing problems be they those of housing and employment in our disaffected inner cities or the continued financial drain of our agricultural industry.

Pouring money into agriculture by means of artificial intervention prices combined with an efficient farming industry has led to unmanageable surpluses. In the short term all looked well but in the long term neither the farmer nor the consumer has benefited. The former has to work ever harder to pay his ever rising rent — the latter to pay prices artificially high. The protection of the CAP has accrued to the landowner.

The inner cities face even greater problems. Here high land values have destroyed much urban business and industry and increased the pace of green-field absorption. Rent levels drive out private housing and only old style council housing remains. To pour taxpayers' money into this situation as Mrs Thatcher appears poised to do, will merely raise land values and impoverish the people still further — an effect all too well illustrated by the channelling of oil revenues to Latin America.

Your editorial of June 13 states that "the Government is surely strongly enough placed to confront vested interests" and postulates radical tax reform. To continue to tax enterprise and industry — even indirectly as now appears to be fashionable — while removing the one remaining property tax — rates — is not a radical approach to economic regeneration. Switching taxation from the active elements in production — labour and capital — to the passive element — land would be.

The major issue for any Government is that of taxation. Now that the election is over can we now look for constructive discussion on this question?

(Councillor) Richard Clarke,
Sunflower Cottage,
Little London,
Lechlade, Glos.

More woolly thinking

From Mr H. Jellie

Sir, — John Cherrington's article on the growing interest in angora goats in Britain (May 27) in which he said the goat boom in New Zealand did not last long and Fergus M. Wood's letter (June 12) casting doubts on the viability of domestic mohair production could lead some people to believe that the end of the fibre goat industry in New Zealand is in sight.

It is true that the goat industry in New Zealand has been through a boom of prices followed by a marked drop, but this does not signify the end of the industry, only its coming of age. It shows that New Zealand farmers are now looking objectively at the value and quality of the stock they require. As a result, average- and poor-quality animals fetch prices related to their ability to produce fibre, but goats with the genetic potential to develop the industry by raising the quality and increasing the yield of mohair command premium prices.

The growing number of people in Britain who wish to farm fibre-producing goats commercially will for some time to come turn to New Zealand livestock breeders for the high-quality animals they need to bring about an overall improvement in their commercial stock. While angora prices in the UK are almost bound to fall, the long-term potential of the fibre goat industry in Britain has been recognised by people who are prepared to work through the unavoidable infancy stages by objectively selecting quality animals for which they are prepared to pay relatively high prices.

There were several other points in John Cherrington's article which need amplification. Animals do not simply produce surplus ova. A carefully set-down management programme is needed to make donor does super-ovulate. The collection of embryos and their refrigeration for transport at minus 198 deg C is much more complicated than he suggests. The process of embryo transfer, especially in the goat, is not a simple procedure and can go totally wrong if it is not carried out by experienced people in strictly controlled conditions of management and treatment.

Hugh Jellie.
Woodstock Breeding Services,
PO Box 2025, Tauranga,
New Zealand.

Quick usable information

From Professor J. Beaumont

Sir,—Alan Cane (June 10) is correct to highlight that electronic point of sales (Epos) systems are all about management information — stock control, cash management and product marketing. Moreover, there is no argument that management requires more (or more apposite) information more quickly, cheaply and accurately.

Epos systems have enormous potential to enhance management information and control. To ensure this potential is realised, in planning the systems, it is essential to recognise the dangers of "data overload" hindering management's sound decision-making. With such advances in data capture technologies, it is of paramount importance to distinguish between raw data and useable information. Unless properly structured and stored, further data collection should not be justified in its own right; it must be integral to management's information needs and, therefore, it should be a component of the strategic planning process, characterised by priorities and conflicts.

Given the availability of suitable hardware and software and the recent developments in terms of communications and networking, with proper planning there should be no reasons why retail management cannot have timely access to the information they want.

(Professor) John R. Beaumont.
The University,
Stirling, Scotland.

Domestic oil reserves

From Mr B. Adkins

Sir, — Referring to your leader on May 21 and to Mr Peter Ross's comments thereon (June 9), is it not prudent — while we can get our oil supplies from elsewhere at reasonable prices — to leave our own in the ground (or under the sea) until those other suplies dry up or become too expensive for ourselves or our potential customers at that time?

Bruce M. Adkins.
13 Avenue du Panorama,
91190 Gif-sur-Yvette,
France.

FINANCIAL TIMES
Thursday June 18 1987

BLOW TO COCAINE TRAFFICKERS COINCIDES WITH UN CONFERENCE

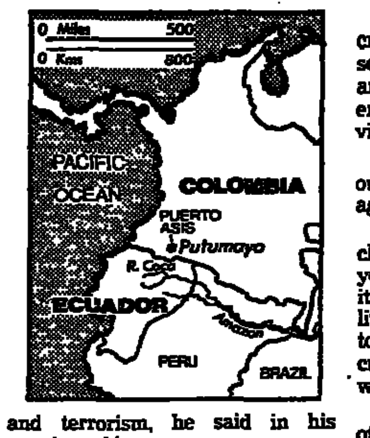
Colombians swoop on drug ring

BY CHRISTIAN TYLER IN LONDON AND SARITA KENDALL IN BOGOTA

POLICE IN Colombia announced one of the biggest anti-narcotics raids yet as a United Nations conference on drug abuse and illegal trafficking opened yesterday in Vienna.

Using helicopters, the police discovered some 50,000 hectares of coca leaf plantations in the Putumayo region near the frontier with Ecuador. They arrested 38 people and destroyed 500 kilos of raw material for the hard drug cocaine.

Colombian peasant growers are said to produce half the cocaine on the world drug market, which is said to be worth $300bn.



The UN conference, at which more than 130 countries are represented, is the highest-level world forum yet convened to debate joint action against the drug-runners and help for their victims.

Delegates yesterday heard messages from President Ronald Reagan and from the Pope.

Mr Javier Perez de Cuellar, UN Secretary-General, said it was not only the drug addicts who lost their health and freedom. Whole states were "marred by corruption" and could find their independence threatened.

More than half the crimes in some countries were drug-related, and the trade was often connected to illegal arms deals, subversion and terrorism, he said in his opening address.

In his message, President Reagan said drug abuse sapped the energy and ambition of youth. Pope John Paul described it as a "plague" to which the breakdown of family life was contributing.

Its spread was blamed by Mr Mahathir Mohamad, Prime Minister of Malaysia and chairman of the conference, on a lack of will in many countries where hard drugs were produced, consumed and marketed.

Malaysia's execution of drug-runners has received wide publicity in the West. The 10-day Vienna conference is due to debate a detailed action programme addressing the main areas of prevention.

These are: preventive education, crop substitution, medical and scientific use, forfeiture of profits and extradition of criminals, law enforcement and treatment of drug victims.

It will also hear a progress report on a new international convention against drug trafficking.

A minor dispute over who should chair the conference was settled yesterday when Bolivia withdrew its candidature. Delegates said Bolivia had wanted to draw attention to its $300m plan to replace its coca crop, said to account for half the world's production of cocaine.

The raids in Colombia follow another recent swoop in which 200 hectares of coca were discovered near Paime, north-west of Bogotá.

Despite the overall size of the area sown with coca, most of the farms are small-scale plantations cultivated by peasants living in the jungle around Puerto Asis. Farmers say they grow coca because it pays better than any other crop, and there are always plenty of buyers.

The police have started burning down 53 laboratories for converting the coca leaves into cocaine base and captured large quantities of petrol, caustic soda, potassium permanganate, lime, fertiliser and other chemicals used in the early stages of processing.

The destruction of the plantations has also begun – a lengthy task, as each coca bush must be chopped down with a machete, then burned. Although aerial spraying eradicated marijuana plantations in northern Colombia, permission to use herbicides against coca on a large scale has not yet been given.

Several skirmishes between police and traffickers have occurred in the area. Venezuelan troops were also attacked near the Columbian border this weekend, apparently by Colombian traffickers, and guerrillas belonging to the National Liberation Army. More than 40 people were killed.

Although the recent raids represent an important blow against small-scale coca producers, the fight against high-level drug laws has not brought results since the capture of a leading drug trafficker in February.

Last week the Minister of Justice, Mr Edmundo Lopez Gomez, who had been in the job for only a few weeks, resigned. Officially, it was for political and personal reasons; but it is rumoured that there had also been disagreements about the extradition of alleged traffickers, to the US. Colombian judges are now extremely reluctant to take drug-related cases because of assassination fears.

EC set to extend anti-dumping duties

BY WILLIAM DAWKINS IN BRUSSELS

EC AMBASSADORS in Brussels yesterday finalised a controversial scheme to crack down on Far Eastern – and particularly Japanese – exporters' use of low-cost assembly plants in the Community to avoid anti-dumping duties.

The proposal, which would extend anti-dumping duties from imported products to embrace their components, looks almost certain to be approved at a meeting of Community foreign ministers early next week, despite fears by Portugal, Ireland and Greece that it might drive Japanese industrial investment out of Europe.

Agreement on the measure, which is expected to hit Japan's top makers of photocopiers, electronic weighing machines and electronic typewriters, will add to the already considerable trade tensions between the EC and Tokyo.

Japanese industrial associations have warned repeatedly that the move could damage European investment plans, thereby putting thousands of potential new jobs at risk.

The scheme is the result of intense lobbying by European industrial groups, incensed at allegedly predatory Japanese trade practices.

The proposal, put forward by the European Commission in February, is not aimed specifically against the Japanese, although they are likely to be hardest hit. The aim is to penalise exporters who attempt to circumvent EC anti-dumping duties by assembling the products affected inside the Community, in so-called "screwdriver" plants, fed by a high proportion of dumped components.

The new penalties would be confined to products made by EC companies closely related to the exporters concerned. Duties would apply when local output has risen fast in the wake of the imposition of anti-dumping duties on EC imports of the same product.

Although the rules likely to be agreed next week are highly specific, the commission is insisting that each case will be taken on its merits. This is an attempt to calm poorer member states' fears that they risk losing valuable foreign investment. However, next week's decision will be taken by majority vote – and Portugal, Ireland and Greece are a long way short of commanding a blocking minority in the Council of Ministers.

It is partly to make a symbolic gesture towards avoiding an open trade war with Japan that West Germany, the Netherlands and Denmark are pressing for a slightly more liberal measure

Under the Commission's original plan, duties would apply only when the value of imported parts exceeds 55 per cent of the total, with the remaining 45 per cent coming from any source (in or outside the Community) other than the country doing the dumping.

Fiat takes over Lucas lighting operations

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

FIAT, Italy's major automotive group, is to take over Lucas Industries' vehicle lighting operations in Italy and the UK, where 1,600 are employed at Cannock and Telford in the West Midlands region of England.

Fiat already has substantial vehicle lighting interests and when the deal is completed will control a business with annual sales equivalent to £165m ($270m) and a 25 per cent share of the West European market, about equal to that of Robert Bosch of West Germany.

Lucas's main customers are in the UK but it also has a contract with General Motors of the US, the world's largest automotive group.

The UK company's Italian associate, Fausto Corrello, owns two factories employing 1,400 in the Turin area and is a supplier to most of the European vehicle producers.

As part of the arrangement, Fiat's own vehicle lighting division, Siem, which has 750 employees in Turin and mainly supplies its parent, will become part of the new grouping.

The complex deal involves Magneti Marelli, the Fiat subsidiary which acts as a holding company for the group's component operations, first acquiring Lucas's 40 per cent shareholding in Fausto Corrello on terms which so far have not been disclosed.

Fiat will take its stake in Corrello to 60 per cent by acquiring extra shares from the Corrello family, which currently controls the company, in exchange for Siem.

This will take Fiat's shareholding in Corrello to 60 per cent but the current Corrello management team, including Mr Massimo Corrello, the chief executive, will remain in place with responsibility for marketing, sales and research and development.

In the UK a new company, Corrello Lighting, will be set up to buy the Lucas factories.

Lucas last night accused the Italian company of jumping the gun with the announcement

But the disposal is in line with the group's determination to deal swiftly with those of its interests which cannot be made profitable and internationally competitive. Lucas says those which do not measure up will be sold, put into joint ventures or, in the last resort, closed.

For example, Fiat's Magneti Marelli is also the front runner to acquire Lucas's starters and alternators operations which employ 1,700 people in the Birmingham area.

EC Commission tax plan opposed

Continued from Page 1

that the Ecu 330 per tonne tax (to be levied on oil crushers) will discriminate against traditional exporters such as the US and the African, Caribbean and Pacific countries linked to the EC under the Lome trade and aid convention.

The Commission has consistently maintained that the measure is not discriminatory and is within the rules of the General Agreement on Tariffs and Trade. It says the tax is essential in the current EC budgetary crisis, provoked largely by ballooning agricultural spending which this year is anticipated to overshoot estimates by Ecu 4bn.

Officials in Brussels believe the tax proposal should be viewed in the context of related plans to control production in the oilseeds sector.

Eurotunnel alters finance plan

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN PARIS

EUROTUNNEL is dropping plans for a £72.5m ($118m) equity issue this summer, the group said last night. Instead, it has secured a loan for a similar amount from a group of 10 French, British and Belgian banks.

The loan will be repaid out of the proceeds of the £750m equity issue Eurotunnel plans for late autumn and which will form the basis of the whole of Channel Tunnel's £5bn finances.

Mr Andre Benard and Mr Alastair Morton, co-chairmen of Eurotunnel, described the change of plan as "a positive development."

They said it would spare Eurotunnel the trouble of preparing a prospectus for an equity issue at a time when it was extremely busy. Mr Morton said the loan was equivalent to an equity issue because of the repayment conditions. Banks would have no other security than the equity issue proceeds.

"This demonstrates the banks' confidence that we shall be able to raise the money in the autumn," Mr Morton said.

The loan facility is in French francs and sterling. The French franc portion is being provided by Banque Indosuez, Banque Nationale de Paris, Credit Lyonnais, the Caisse Nationale de Credit Agricole and the Caisse des Depots et Consignations.

The sterling tranche is coming form Midland Bank, Robert Fleming, Morgan Grenfell, S.G. Warburg and Belgamanche. Belgamanche is owned jointly by Societé Generale de Belgique and the Societé Nationale d' Investissement, the government-owned long term investment institution. The group's involvement demonstrates Belgian interest in the tunnel project.

The precise terms of the facility have not been disclosed, but were said to be "conventional."

The purpose of the loan is to tide Eurotunnel over "between last year's £206m equity issue and the £750m issue next autumn. So far, the project is committed to spend about £150m, and officials said last night, that they might not need to use the entire new facility.

Mr Morton said he expected the group of British banks underwriting the equity issue to be enlarged beyond its present members, National Westminster and Midland. The likely new members are Barclays, Lloyds and Standard Chartered.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	20	68	Dubrovnik	S	22	72	Malta	S	27	81	Rhodes	S	27	81
Algiers	S	25	77	Edinburgh	R	13	55	Manchester	C	14	57	Rio de J'o	R	27	81
Amsterdam	S	15	59	Faro	S	24	75	Manila	C	32	90	Rome	S	22	72
Athens	S	31	88	Florence	F	23	73	Melbourne	S	10	50	Salzburg	C	9	48
Bahrain	S	42	108	Frankfurt	F	14	57	Mexico City	—	—	—	San Francisco	S	18	65
Bangkok	S	33	91	Funchal	C	19	66	Miami	C	30	86	Seoul	S	28	82
Barcelona	S	20	68	Geneva	F	13	55	Milan	S	22	72	Singapore	F	32	90
Beirut	S	27	81	Gibraltar	S	21	70	Montreal	R	21	70	Stockholm	R	11	52
Belfast	C	14	57	Glasgow	R	14	57	Moscow	C	25	77	Strasbourg	F	14	57
Belgrade	C	19	66	Guernsey	C	13	55	Munich	R	8	46	Sydney	C	15	59
Berlin	C	13	55	Helsinki	C	12	54	Nairobi	F	22	72	Taipei	R	26	79
Biarritz	F	16	61	H. Kong	C	28	82	Naples	F	23	73	Tangier	S	28	82
Bombay	F	31	88	Innsbruck	C	15	59	Nassau	S	34	93	Tel Aviv	S	29	84
Bordeaux	C	16	61	Inverness	—	—	—	New Delhi	S	38	100	Tenerife	S	23	73
Brussels	R	10	50	Islamabad	S	39	102	New York	S	31	88	Tokyo	S	28	82
Budapest	F	17	63	Istanbul	S	30	86	Nice	S	28	82	Toronto	S	32	90
B. Aires	S	16	60	Jakarta	C	34	93	Nicosia	S	35	95	Tunis	S	26	79
Cairo	S	36	97	Jersey	C	14	57	Oporto	S	20	68	Valencia	S	24	75
Cape Town	C	12	54	Jo'burg	S	20	68	Oslo	R	11	52	Venice	S	19	66
Caracas	C	26	79	Lima	C	26	79	Paris	R	13	55	Vienna	S	15	59
Casablanca	S	22	72	Lisbon	S	26	79	Peking	S	29	84	Warsaw	C	14	57
Chicago	S	32	90	London	F	14	57	Prague	F	14	57	Washington	S	25	77
Cologne	C	15	59	Los Angeles	C	27	81	Reykjavik	F	13	55	Zurich	R	7	45
Copenhagen	C	13	55	Luxembourg	F	11	52								
Corfu	S	27	81	Madrid	S	23	73								
Dallas	C	24	75	Majorca	F	22	72								
Dublin	C	13	55	Malaga	S	23	73								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Academic to head SEC

Continued from Page 1

"His work has brought him into contact a lot with the business world. I think it'll find him quite compatible," Mr Summers added. Far from being a quiet, retiring academic, Mr Ruder is "very outgoing and ebullient."

As the author of some 40 articles on corporate and securities law, Mr Ruder's academic work over the past 25 years has covered most of the areas which fall under the SEC. He has also taught courses on such subjects as the SEC's enforcement of laws and regulations.

He is "one of the most prominent securities academics in the country," according to Mr Robert Bennett who succeeded Mr Ruder as Northwestern's Law School dean. "He has taken a strong stand in favour of regulating insider trading" and has concentrated on other areas such as securities fraud and regulation and protection of investors.

Despite his favouring appropriate levels of regulation, his colleagues say he is at heart a liberal Republican free marketeer, a philosophy which would have helped commend him to President Reagan. While some academic colleagues consider his passion for golf slightly eccentric, it will give him a further element of common ground with his new colleagues in Washington and on Wall Street.

Japanese miners dig in for a bleak future

By Peter Bruce, recently in Kamisunagawa, Hokkaido

THE HEADQUARTERS of the Japan Coal Miners' Union consists of a few sad rooms in a small, non-descript house in Tokyo. Part of the reason why is explained here in Kamisumagawa, a dilapidated town on the country's northern island.

The coal mine that gives Kamisunagawa life is closing after 73 years. The giant Mitsui group, its owners, told the 700 workers at the mine last month they wanted it shut quickly, sparking the latest in a long line protests and strikes that have marked the Japanese coal industry's dramatic decline since 1960.

After two one-day strikes, about 20 miners, local shopkeepers and housewives staged a sit-in outside the mine management offices last week as part of a hastily-devised plan to persuade Mitsui not to close the mine. Hopes are not high. The next day, Mr Masayuki Takahashi, the senior trade unionist at the pit, and some of his officials went to Tokyo to deliver protests to the Government. They were politely told they could not be helped.

Japanese coal miners, not just those in Kamisunagawa, are bitter. They think their livelihoods are being threatened in pursuit of profits they cannot deliver.

In 1960, Japan produced about 50m tonnes of coal a year. That had fallen to 32m tonnes by 1970, and last year, the country's remaining 10 mines managed just 15.5m tonnes, well below the 20m targetted in the Seventh Coal Plan drawn up in 1980. In April, the Government and employers, after talks which included the unions, drew up an eighth plan that radically cuts production targets.

By 1992, the mines will produce less than 10m tonnes, the plan says, with production of all coking coal (about half present output, which is used in steel-making) coming to an end.

The industry's last customers will be power utilities, and few people would bet on them buying local coal for much longer than 1992 if they can get away with it. domestic coal, which lies deep, costs about Y23,000 ($159) a tonne and imports are landing at Japanese ports of Y7,000 a tonne.

The Government subsidises coal through a levy it extracts from imported oil but importers are pushing hard for the levy, Y130bn last year, to be lifted. The eighth plan, which will halve jobs in the industry to about 8,000 and the number of mines to five, may already be inadequate.

The potential job losses are so serious in Japanese terms that all the big coal producers, Mitsui, Mitsubishi, Sumitomo and Taiheiyo Kohatsu, along with the Coal Association and the Government, declined to discuss the industry's future with the Financial Times.

The coal unions say they are trying to be reasonable. "We have to try to stave off closures for as long as possible to save the towns," Mr Fujiwara says. "But we must be realistic, given that domestic production costs are so high."

In Kamisunagawa, which loses about Y2bn a year, the coal has been mined as close as possible to the surface to save money. Mr Takahashi says the workers declined a wage rise last year and have compromised on safety underground to try to cuts costs and save the mine.

But Mitsui was ominously quick to announce closure once the eighth plan came into effect in April.

The company is offering jobs on Honshu, the main Japanese island, plus 200 in Kamisunagawa. "But we are interested in the quality of the jobs," Mr Takahashi says, "not the quantity.

"The capitalists in Japan regard Hokkaido as a colony," he says. "Once there's no more to take, they withdraw."

Japanese bank debt review

Continued from Page 1

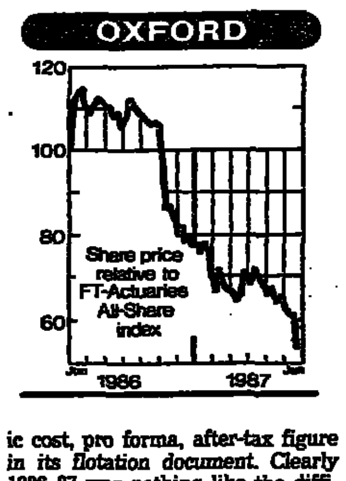
● The banks' ability to generate capital internally is limited by their low earnings. While low earnings have traditionally been offset by capital gains on the banks' asset holdings, this process is now more questionable, Moody's argues.

In the past such unrealised capital gains "were the result of increases in the economic worth of the corporate sector, reflecting the solid growth of Japanese companies." Today, however, the potential gains are "more dependent on increases in stock multiples than increases in true economic worth."

THE LEX COLUMN

Magnets lose their pull

Oxford Instruments could be just the example the Bank of England needs to add some human interest to its lectures on short-termism. Having come to the market in 1983 as a one product company (magnets) with tremendous immediate growth prospects, it has subsequently diversified and now derives less than half its earnings from that product. Nevertheless the diversification has not been able to save the rating once the slowdown struck magnets, and there will be some technological lumpiness about Oxford's earnings until the early 1990s when it should boast three or four substantial businesses. Will the market allow it to make that transition to the safety of steady earnings? Judging by yesterday's 10 per cent slip in the share price the answer is probably, no.



The figures for last year were only a little worse than expected, although they were boosted by acquisitions and the capitalisation of some R&D. What appears to have upset investors is the faster than expected squeeze on the MRI magnet market. Last year's drop in volume will be even worse this year particularly following the Picker-Phillips joint venture (together they account for about 50 per cent of demand for the magnets) and the failure of the Japanese market to take off. Perhaps the directors, and the analysts, should have spotted the severity of the downturn earlier given the recent troubles at Picker and the switch to in-house magnet production. But at least the management has now openly stated that it believes profits for the whole company will be down this year.

The good news is that IBM is prepared to back the new synchrotron (the next super-product which unfortunately will not start producing real earnings until 1990). The next two years will be tough but this is a high risk/high return stock and is at least underpinned by bid prospects. It would be a shame if that bid is triggered, since size is not Oxford's problem, and it will be protected by the mobility of its key human assets.

British Gas

Prospectus forecasts are made to be beaten, but not usually by as much as the £109m by which British Gas exceeded the £575m historic cost, pro forma, after-tax figure in its flotation document. Clearly 1986-87 was nothing like the difficult year British Gas expected, though the company's weather forecasters were probably more wrong than its oil price experts.

Cold weather, as long as it happens in the right places, introduces the earnings volatility which utilities are not supposed to suffer. British Gas might have had an extra £65m in net income from the cold snap simply from extra gas sales (which appear to have continued when the weather temporarily improved). But on top of that the effect of switching gas supplies from interruptible industrial customers to higher margin domestic buyers and the benefit of taking more gas from the Morecambe field must have added a fair bit more.

It may be hard to credit at the moment, but the current year could yet prove warmer than the last. So British Gas will have something of a hole to plug before it can look for earnings growth. The decision to cut tariffs by slightly more than the RPI formula requires is barely material to profits. But it does suggest that the company's input gas cost (reflecting last year's oil prices) is even more favourable than expected, while as long as the oil price holds around the current $18-plus margins on industrial sales will improve.

So this year's net income might struggle to get to £800m, where the p/e is about 12 with the partly-paid shares down 1½p to 188½p. Despite beating the prospectus profit forecasts, the dividend is just as promised, leaving the yield on the low side for what ought to be an income stock. If the British Gas motive is to make Japanese investors feel at home it has failed – they have been sellers on balance since the flotation and show no sign of returning.

Int'l Thomson/ABP

The International Thomson Organisation has done little to challenge its reputation for paying fancy prices with its recommended offer for Associated .Book Publishers. But, despite the prospective exit multiple of close to 40, it should not be dismissed as the expensive whim of a hugely rich and, effectively, private corporation. After all, the Wadsworth acquisition was so dismissed by some in 1978 and it has more than paid its way.

The strategy of shifting oil revenues into quality publishing concerns remains intact; the sale of its UK trade publishing companies merely emphasises ITO's stress on the professional and technical side.

Unlike some of the other giants currently centralising the information industry, ITO is less concerned with international rights than with sound long-term businesses. Thanks to the inherent hyper-activity of legislators, legal publishing – which accounts for most of ABP's profits – is just that. ABP's inclusion should allow for some cross-fertilisation with ITO's existing academic interests and improve the geographic spread.

BHP

On the face of it Adelaide Steamship is in the classic position of an option writer unable to deliver stock when the market has moved the wrong way. And who could blame Bell Group for wanting to extract as much as possible in recompense for not getting as many BHP shares as it bargained for. It has, after all, been counting on controlling 30 per cent of BHP including Adsteam's stock so the shortfall knocks its holding down a fraction.

It was ironic that only hours after Adsteam and Bell were issuing their statements in Australia, BHP was trying to drum up demand for its shares in Europe, following the ADR issue in the US, in the interests of wider and deeper share ownership. With nearly 50 per cent of the share capital still in the hands of two holders, BHP's motives are pretty clear too.

INTERNATIONAL APPOINTMENTS

Top management reshuffle for American Brands

BY WILLIAM HALL IN NEW YORK

AMERICAN BRANDS, the US conglomerate products of which range from the familiar Lucky Strike and Benson and Hedges cigarettes to life insurance, padlocks and Jim Beam whiskey, has reshuffled its top management team.

Mr William J. Alley, aged 57, has taken over as chairman and chief executive from Mr Edward W. Whittemore, 64, who is convalescing following an illness earlier this month. In addition, Mr Thomas Hays, aged 52, will take over as president and chief operating officer at the end of the year following the retirement of Mr Virginius B. Lougee III.

American Brands has been quicker to diversify outside its traditional tobacco business than its two larger rivals, RJR Nabisco and Philip Morris, and in its latest management changes it has continued to draw its top management team from outside the tobacco business which still provides two-thirds of operating income. Mr Whittemore joined the group with its 1970 acquisition of Swingline, the world's leading manufacturer of staplers, and the latest management appointments both come from companies that were acquired by American Brands.

Mr William J. Alley (left), who has become chief executive of American Brands, in succession to Mr Edward E. Whittemore (centre), and Mr Thomas Hays (right) who is to be chief operating officer at the end of the year.

Mr Alley was chairman and chief executive of The Franklin Life Insurance Company when it was acquired by American Brands in 1979 as part of its move into the financial services arena. Mr Hays came into the group following its 1970 acquisition of The Andrew Jergens Company, which produces liquid soap and other personal care products. He became chief executive of Jergens in 1979 and moved into the group's traditional tobacco operations in 1981 when he was made an executive vice president of American Tobacco. He became chief executive of American Tobacco last year.

Mr Alley joined Franklin Life in 1967 and following its acquisition was appointed senior vice president, strategic planning, for American Brands in 1983. Two years later he became chief financial officer and in May 1987 took over as chief operating officer following the announcement that Mr Lougee, who joined American Tobacco in 1951, was planning to retire at the end of the year.

The new management team is likely to continue Mr Whittemore's policy of diversifying the group away from its heavy dependence on tobacco.

Ex Italian Finance Minister joins CIR

By Alan Friedman in Milan

Mr BRUNO VISENTINI, who served as Italian Finance Minister, responsible for taxation matters, in the fallen Craxi Government, has been appointed chairman of Compagnie Industriali Riunite (CIR), one of the main holding companies of Mr Carlo De Benedetti.

The 72-year-old Mr Visentini, who is still president of Italy's Republican Party, served as chairman of the Olivetti group for a total of 17 years (from 1964 to 1974 and from 1976 to 1983). In his new hole as CIR chairman, Mr Visentini will effectively be excluding himself from a Ministerial post.

CIR, which is quoted on the Milan, Paris and Brussels stock markets, is the De Benedetti holding vehicle which controls such core interests as Olivetti (office automation), Buitoni (foods), Valeo (car components) and Sasib (engineering) CIR itself is controlled by Cofide, the master holding of the De Benedetti group, CIR, through its international subsidiary, also controls the Cerus Holding company in France, which is quoted on the Paris Bourse and which owns 37 per cent of Yves Saint Laurent.

Government adviser takes Matra post

BY GEORGE GRAHAM IN PARIS

MATRA, the French state-owned defence and electronics group, has turned to the ranks of the Government to find a new head for its defence and space division.

Mr Noel Forgeard, former technical counsellor to the Prime Minister on Industrial questions, has joined Matra to take over the post left open by the death earlier this year of Mr Albert Costa de Beauregard after only three months in office.

Mr Forgeard, 40 years old, worked at the French Industry, Transport and Defence ministries before becoming chairman of Compagnie Francaise des Aciers Speciaux, the French special steels producer. He returned to the administraion last year in the Prime Ministerial office of Mr Jacques Chirac.

Mr Jacques Aschenbroich has moved from Datar, the French regional development organisation, to take over from Mr Forgeard as Mr Chirac's industrial counsellor.

The appointment of Mr Forgeard is not the first time that Mr Jean-Luc Lagardere, chairman of Matra, has fished in the pool of the Prime Minister's office.

Mr Costa de Beauregard, Mr Forgeard's predecessor, had also served as economic counsellor during the Prime Ministership of Mr Raymond Barre, before joining Banexi, the investment bank.

Surprise at The Limited

BY OUR NEW YORK STAFF

THE LIMITED, the fast growing US retailing group, the success of which has been built on selling a limited range of women's sportswear, has lost one of its top two architects of its spectacular growth.

Mr Robert Moroskey, aged 46, has resigned as vice chairman and chief financial officer in a move which has surprised Wall Street. Mr Moroskey has been credited with building the group's efficient distribution system and financing the group's rapid growth.

Founded in 1963 by Mr Les Wexner, 50, The Limited has become the fastest growing major retailer in the US. Since 1981 its sales have risen from \$365m to over \$3bn and net income has risen ten-fold, to \$227.8m.

Mr Moroskey gave no explanation for his departure save to indicate that he wanted to try his hand at something different.

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Résumés, including a daytime telephone number, to Daphne Silvester, Ref. DS694.

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A significant subsidiary of a major international textile group is looking for a Financial Director for its manufacturing operation based in East Java which is jointly owned by the Indonesian Government. Responsibilities include the day to day oversight of all financial matters; preparation of business plans and forecasts; to provide the financial interface with divisional and Group Senior Executives and to contribute significantly in the continuing profitability of the company. Computer systems knowledge is essential as a priority task will be to set up a fully integrated information system. Candidates will be 30–45, qualified accountants and able to demonstrate at senior level a solid and successful track record with a commercial/industrial concern. Very attractive benefits are offered commensurate with expatriate status including free accommodation, tax free salary, private school fees etc. The position offers real career development and after approximately 3 years other career opportunities elsewhere in the group will be offered.

J. Cull, **Hoggett Bowers plc**, *St. James's Court, 30 Brown Street*,
MANCHESTER, M2 2JF, 061-832 3500. *Ref: M16011/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, *quoting the appropriate reference.*

The London branch of an international bank is offering the following position:

Management Accountant

Our growing activity in capital markets and commercial banking has necessitated the requirement of an experienced management accountant to assist in the development and implementation of a comprehensive management accounting and information system. The successful candidate would be responsible for the running of the system, which is likely to be PC based using data extracted from the Bank's main systems namely IBIS 38, MIS Bonddealer and EMS/Devon.

Applicants for this position will be aged 25-30 years with five years experience.

Remuneration for the above position will be highly competitive and attract a full range of banking benefits. Please write in confidence enclosing full C.V. to:

Box A0586, Financial Times
10 Cannon Street, London EC4P 4BY

Financial Controller

c. £22,000 + car & benefits West of London

Our client is a multi-million pound operation in a Chemical related business, located to the West of London. Recent rapid growth creates the need to strengthen the management team by appointing a Financial Controller able to lead the accounting/management information function by combining financial flair and practical commercial acumen.

The successful applicant will be mid-thirties; a Chartered Accountant, ACA or ACMA, already performing in a similar role in a Manufacturing Industry environment. You will be attracted to this role by the promise of more scope, more challenge and greater responsibility.

We would expect you to be fluent in the preparation of monthly management accounts, using advanced computer technology to maintain accurate records and extract pertinent information. The departmental team is small, tightly knit, and highly professional, operating very much on a "hands on" basis.

If you are able to meet the challenge described, our client is prepared to offer a salary of c. £22,000 pa, plus a company car and a realistic range of benefits including performance bonus.

Interested applicants (male or female) should write with full details of career to date, stating any companies with whom you would not wish your details discussed, quoting reference number NH1353 to:-

Nicholls Hanley & Associates Limited

Peter Hanley, Nicholls Hanley & Associates Limited, Ashley House, 30 Ashley Road, Altrincham, Cheshire WA14 2DW.

Jonathan Wren

FINANCIAL CONTROLLER

£40,000 to £50,000

Our client, a well established City bank, seeks a financial controller who can demonstrate a career of achievement within a banking environment.

The appointment requires a strong, professional ACA/FCA for overall management of operational activities.

Excellent remuneration/benefits package. Please apply in writing, with full career resume to **Norma Given.**

ASSISTANT TO FINANCIAL DIRECTOR

£30,000 plus car plus benefits

Major City Brokers

In order to maintain their leading edge in stockbroking this City based firm seeks to recruit an ambitious, self-motivated, professionally qualified senior accountant.

The successful candidate will assume overall responsibility for the development and control of management information systems, budgetary cycles and forecasting.

Aged between 27 to 35, applicants will have 2 to 3 years post-qualified experience gained in management consultancy or financial services and have the ability to manage projects from conception to implementation. **Contact Ann Winder.**

LONDON BRUSSELS HONGKONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

A fast growing and successful public company require a highly qualified

FINANCIAL DIRECTOR

£38,000 package—West Midlands

This is an outstanding opportunity for a high calibre person to join a young motivated team engaged in the engineering sector. The company has recently extensively modernised its plant and equipment and has a most exciting future.

The successful FCA will probably be between 34 and 42, and able to demonstrate an impressive track record. An engineering background would be an advantage but more important is the ability to direct the higher qualified financial team and thus be able to play a full part as a member of the Board formulating company strategy and business development.

Please write with full c.v. to The Chairman,

Box A0585, Financial Times
10 Cannon Street, London EC4P 4BY

COMMERCIAL DIRECTOR

UK commodity dealers

c£35,000+car+significant bonus

An attractive opportunity has arisen for a highly-motivated and commercially-minded accountant to contribute to and share in the success of this well established firm. Part of a highly-profitable group, they have a sound track record and plan to achieve a stock market listing in five years.

Acquisition will form a major part of their proposed growth, and the role of Commercial Director will involve managing and monitoring newly-acquired companies to integrate them with the company's existing operations and to identify development prospects.

The position also involves responsibility for the finance function and the incumbent will take a lead in the introduction of on-line interactive computer systems.

The role will be based in Essex and will involve about 30% UK travel.

Candidates should be qualified accountants with a strong entrepreneurial approach. They will need excellent investigative and analytical skills and should have a positive attitude to problem-solving and financial policy and strategy. Experience of a trading environment would be an advantage.

Remuneration will be in the region of £35,000+car. There will be a significant performance-related bonus and future remuneration and benefits will be designed to ensure a direct return on the Director's contribution to the business.

Please write with full career details, quoting ref B7714 to Jane Woodward.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

International Opportunities – Financial Services Sector

Internal Audit Manager

City — *c. £30,000 + excellent benefits*

Our client, a dynamic financial services group is poised for yet further expansion in this exciting sector. With a full Stock Exchange listing, principal activities include investment management, on shore and off shore banking and trust management. Current plans include further overseas acquisitions.

Reporting to the Chief Executive you will have an exciting challenge – setting up the internal audit function and providing high level business review services across the group's activities. International travel will take you to North America, Europe, Bermuda and the Bahamas.

You will be a Chartered Accountant in your late twenties/early thirties with Audit experience preferably gained with one of the Big Eight. Financial Services experience would be an advantage. You will be ambitions, energetic and possess a high degree of professionalism.

The exceptional remuneration package includes share options and subsidised mortgage. Excellent career prospects will give you the opportunity to move into an operational role.

Please reply, in confidence, to Alison Hawley quoting reference 5011/FT on both envelope and letter.

Deloitte Haskins+Sells

Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Parker

Location Accountant

Derby based — **c£23,000 + car + reloc.**

Parker Hannifin is a US based multi-national corporation, and a world leader in fluid power technology. Their sales are in excess of $300 million in Europe and nearly $2 billion world wide. Rapid growth through product development and acquisition, together with an outstanding financial performance, provide a dynamic environment for career development.

At Derby, the Company manufactures fluid connectors and distributes products throughout Europe. They are now seeking a Location Accountant who will become an integral member of an experienced management team, and who will take total responsibility for the finance function. Reporting to the Operations Manager, the role involves responsibility for several locations and includes the provision of all financial information together with corporate planning, budgetary control and forecasting. Fully integrated computerised systems are in place, backed up by sophisticated management techniques, including MRP II.

Candidates, aged 27-35, should be qualified accountants, educated to degree level, with a good knowledge of computerised standard costing and integrated manufacturing systems. A high level of commercial ability, with strong communications skills and a shirt-sleeved approach, are essential. A working knowledge of a foreign language would be particularly useful.

Applicants should contact Rod Shaw quoting ref 5012 giving full details of career to date at Michael Page Partnership, Imperial Building, Victoria Street, Nottingham NG1 2EX, or telephone 0602 410130.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCIAL CONTROLLER

W. LONDON — **£30,000 + Car + Bonus**

A *highly autonomous part of a blue-chip PLC*, this national retail chain has a turnover of c.£150m and a record of innovation, growth and profitability. Ambitious sales and marketing policies have led to a sweeping re-organisation, and this new Head Office role is to be instrumental in focusing attention on key issues in future development.

Reporting to the Finance Director and managing a small finance function, this key role embraces monthly accounting, statutory accounting and capital expenditure appraisal as well as financial forecasting and systems review. As the principal liaison point between operating divisions and the Main Board, both reporting and interpreting information, the role provides crucial support for commercial decision making.

This position is envisaged as a stepping stone into general management.

Candidates will be qualified accountants aged 30-40, a developed business orientation being as important as technical ability. The remuneration package will include fully expensed car, BUPA, contributory pension and participation in the senior management bonus scheme.

Please apply directly to Greg Ripley at Robert Half, Freepost, Roman House, Wood Street, London EC2B 2JQ. Telephone 01 638 5191.

RH

ROBERT HALF
FINANCIAL RECRUITMENT SPECIALISTS

Director of Finance and Information

Central London
c £40,000 pa
+car and benefits

Our client seeks to appoint a Director of Finance and Information to strengthen the senior management team of a principal hard commodities exchange.

This is a new position reporting to the Chief Executive. The postholder will be responsible for ensuring that all aspects of the organisation's accounting and information needs are effectively met through existing and where necessary new resources.

Additionally, the Director of Finance and Information will be called upon to provide the strategic accounting advice and guidance to enable the organisation to meet the challenges of future market conditions.

Operating from the head office this role requires candidates to have at least five years successful senior management experience in a 'hands on' accounting role.

Ideally, the position will suit a graduate qualified accountant who is in his late thirties or early forties and who enjoys working in a fast moving trading type environment.

The salary is negotiable around the indicator shown.

Because of the seniority of this role we will respect the confidentiality of those wishing to discuss the position further, prior to making a formal application.

Alternatively, please send a full CV quoting reference MCS/1031 to Michael Madgwick
Executive Selection
Management Consultants
Price Waterhouse
No 1 London Bridge
London SE1 9QL

Price Waterhouse

Head of Finance and Accounting

London — **c£30,000 + Executive Car**

Our client is a highly successful Plc in the retail sector with a turnover approaching £500 million.

Reporting to the Finance Director you will be one of the senior members of the group's management team with responsibilities which include financial planning, financial reporting, treasury and taxation matters. You will operate in an extensively computerised environment and will be supported by a staff of one hundred.

The successful candidate will be a graduate chartered accountant, probably aged 30-40, with significant staff management experience and well developed inter-personal skills.

If you are interested in this position and are prepared to commit yourself to the continued success of the company then send your curriculum vitae and telephone number to Jon Anderson ACMA, Executive Division, at 39-41 Parker Street, London WC2B 5LH, quoting ref. no: 425.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Controller

International Commodities Group

c£35,000 + car etc

The London office of an international commodities group seeks to strengthen its central management team by the appointment of a Chartered Accountant or equivalent aged 30-35.

Reporting to the group's Finance Director the immediate tasks will include the management of the accounting function, the enhancement of computerised systems and the monitoring of foreign exchanage dealings.

This is a high profile role with regular contact with the directors, traders and banks.

Previous experience of a trading company, possibly within commodities, is essential as is the ability to be proactive in a constantly changing environment.

The expansion of the group and the ability to take on more of the Finance Director's responsibilities will provide future career opportunities. The package will include a car, bonus and other benefits normally associated with such a company.

Please write, enclosing a career/salary history and daytime telephone number, to John P Sleigh FCCA quoting reference J/613/SF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

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For further information call:

01-248 8000

Daniel Berry
Ext 3456

David Rhodes
Ext 4676

Tessa Taylor
Ext 3351

ASSISTANT ACCOUNTANT BANKING

c.£18,000 + Banking Benefits

The Organisation:
An English-registered International Bank established in the City since 1919, situated in prestigious new freehold premises.

The Job:
The post of Assistant Accountant presently carries responsibility for the production of Budget reports, VAT and Income Tax returns, the development of a cost accounting system and monitoring of the Bought Ledger system. Following an internal reorganisation, the post is to be revised to incorporate the production and development of both Management and Statutory Accounts and new accounting systems to cater for new areas of business. The post-holder will work with the Deputy Manager of the department and report directly to him and the Manager.

The Requirements:
- A Chartered Accountant.
- Experience in the banking industry either gained with an International bank or within the bank audit department of a large accountancy firm.
- good communications skills and the ability to operate without close supervision.
- experience with micro-computers, whilst not essential, will be a definite asset.

The Benefits:
Include subsidised mortgage and low interest personal loans; non-contributory pension scheme; free medical insurance.

If you believe you have the background and ability necessary for this position, please send a comprehensive c.v. to: Mr. J. Glover, Personnel Manager, Moscow Narodny Bank Limited, 81 King William Street, London EC4P 4JS. Alternatively, if you wish to learn more about this position telephone Don Fitzgerald, Deputy Chief Accountant & Manager, Accounts Department on 01-623 2066.

WE'VE SUCCEEDED IN TURNING YOUR HEAD...ARE YOU CONFIDENT IN YOUR ABILITY TO TURN OURS?

Now that we have given a new slant to these crowded advertisement pages we feel compelled to tell *you*, a QUALIFIED ACCOUNTANT or MBA, about the management consultancy opportunities currently available with Touche Ross.

As an ambitious 28-35 year old, with a good degree and several years' successful industrial or commercial experience, isn't it time you broadened your career into the sharp end of business decision making?

Putting our natural modesty to one side for a moment, there is probably nowhere better to achieve your goals than with Touche Ross Management Consultants. Following an initial training period you could, for example, be working as part of a team advising on a major organisation study, a management information system, or a profitability review for a bank, venture capital company or newspaper publisher.

On the other hand you may be involved in a privatisation study or a review of a merger or acquisition. The permutations are endless but without exception provide the challenge and stimulus for your developing intellect and the momentum to maintain your upward progression.

Firstly though, you will of course need to show us a successful record of problem solving achievement, supported by a positive personality and a strong commitment to work excellence in a team environment. Quickly demonstrate these qualities in an informal and confidential meeting and you can rest assured that *our* head will be very much turned in your direction.

Starting salaries are negotiable to around £35,000 and a company car comes too. Interested? Then please write (horizontal fashion preferred) with full CV to: Michael Hurton (Ref. 4001), Touche Ross & Co., Thavies Inn House, 3-4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

Touche Ross
Management Consultants

DEPUTY MANAGER
INTERNAL AUDIT DEPARTMENT
c.£25,000 + Banking Benefits

The Organisation:
An English-registered International Bank established in the City since 1919, situated in prestigious new freehold premises.

The Job:
In addition to the supervision of the internal audit function, the job includes:
- the introduction of new techniques within the department.
- the planning, scheduling and execution of audits throughout the bank.

The Requirements:
- Minimum 6 years auditing experience, of which a considerable proportion on audits within the banking sector, gained either within the profession or in the internal audit department of a bank.
- Chartered Accountant.
- Degree standard, preferably in a relevant subject.

The Benefits:
Include subsidised mortgage and low interest personal loans; non-contributory pension scheme; free medical insurance.

If you are interested in the above position and meet the stated requirements, please send a comprehensive c.v. to:
Mr. John Glover, Personnel Manager, Moscow Narodny Bank Limited, 81 King William Street, London EC4P 4JS. Alternatively, if you wish to learn more about this position telephone Mike Ring, Internal Audit Manager on 01-623 2066.

Management Accountant

Up to £18,000 + Car — **Home Counties**

Our client is a leading retail organisation. Their continued growth and determination to increase efficiency still further has led to the creation of new roles at their major distribution centres in the Home Counties.

Reporting directly to the Distribution Centre Manager, you will provide a comprehensive management accounting service, analysing and interpreting a wide variety of financial information concerning every aspect of the Centre's operation.

You will head up the Centre's finance department and, as a member of the site management team, be expected to make an active contribution to the cost-effectiveness of the operation.

A qualified accountant, probably CIMA, you will need to combine a high level of technical ability with strong interpersonal skills. It is unlikely that anyone under the age of 27 will have the commercial experience or the maturity essential to influencing management decisions.

In return, a salary in the region of £18,000 is offered together with an extremely attractive range of benefits, including a Company car.

If you're looking for a high-profile position with plenty of potential for career development, please write with full details. These will be forwarded direct to our client. List separately any companies to which your application should not be sent.
N. S. Holker, ref. NH/B/91.

MSL Advertising,
52 Grosvenor Gardens, London SW1W 0AW.

MSL Advertising

Chief Financial Officer
Young High Technology Operation
South Wales to £25,000 + car

Situated on the edge of an area of outstanding beauty in South Wales, this ambitious and well-financed company, formed in 1985, has established a sophisticated manufacturing operation; unique in Europe, the products supply the international computer substrates market. Current turnover is around £4 million and this is expected to double in the next financial year.

In this newly created post, reporting to the Managing Director, you will play a key part in the business by providing full financial support; you should be adept equally at designing, implementing and introducing manufacturing costing systems as you are in presenting the company to the City and dealing with foreign exchange, treasury and development grants.

A well qualified Accountant with strong business awareness, you will be familiar with computerised accounting systems and will have well-developed financial and management experience, gained in a manufacturing environment. The degree of success of this impressive organisation through a period of dramatic and sustained growth will depend upon your professional skills; the remuneration, therefore, reflects the importance of attracting a particularly high calibre individual with the determination to succeed in a most challenging position. Telephone for an application form or, preferably, send your cv quoting Ref: 1535/PB/FT to PA Personnel Services, at the address below.

PA
PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

St Brandon's House, 29 Great George Street, Bristol BS1 5QT.
Tel: 0272 298204

Computer Audit in International Banking.

Package worth up to £37.5K
[£25.5K salary +allowances & benefits]

Qualified Accountants

A critical role at a time of global systems development

Our client has built a deserved reputation as one of the world's major international banks.
Now they're building an advanced global systems infrastructure . . . a 5-year, multi-million programme of development and integration on IBM architecture which puts them firmly in the vanguard of banking technology.
A senior appointment is to be made within the bank's International Audit Team, located in London, to review all developments. This appointment promises a new challenge to a qualified Accountant with a proven track record in reviewing applications systems — preferably on IBM mainframes within a banking, consultancy or accountancy practice.
The role gives you responsibility for ensuring standards and quality of control, security and documentation of new and existing systems, whether developed in-house or acquired off the shelf.
The generous rewards package reflects the level of challenge involved and the calibre of talent needed. In addition to a competitive salary, a range of allowances, bonus scheme and loan facilities plus subsidised mortgage, profit sharing, non-contributory pension and health and accident insurance make up this attractive package. Assistance with relocation will be available for suitable candidates.
For an initial, informal discussion call John Miskelly on 01-831 0111 during office hours. Alternatively, write to him with your cv at: JM Management Services, Columbia House, 69 Aldwych, London WC2B 4DX. (Ref: 380)

Also... Opportunities exist for non-qualified Accountants

JM MANAGEMENT SERVICES

HEAD OF INTERNAL AUDIT

Up to £29,680

This London-based post carries overall responsibility for internal audit functions within the Property Services Agency including overseas regions and the Crown Suppliers.

The role of PSA is to provide, manage, maintain and furnish the property used by the Government, at both defence and civil establishments. The Agency has a "turnover" approaching £3b per annum and a staff of some 25,000. A wide experience and a successful track record in the systems-based audit approach, together with a recognised CCAB qualification is essential. Membership of the Institute of Internal Auditors would be an advantage.

Salary from 1 September 1987: £26,230-£29,680. Starting salary may be above the minimum.

For further details and an application form (to be returned by 9 July 1987) write to Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours). Please quote ref: G/7248.

The Civil Service is an equal opportunity employer

PSA
PROPERTY SERVICES AGENCY

IRVING TRUST INTERNATIONAL LIMITED
Accounting Manager — Securities

City — Salary Negotiable

To accommodate the expansion of our business activities we are seeking to fill this newly-created position.
The Accounting Manager will head up a team responsible for the financial activities of Irving Trust International Limited (ITIL), the UK incorporated securities subsidiary of Irving Trust.
The successful candidate will be a graduate, qualified accountant, ideally aged 28-35, committed to high personal and professional standards and possess well developed interpersonal skills. An understanding of capital markets and the securities industry is essential.
To reflect the seniority of this position, an appropriate salary and benefits package is available.

Interested candidates should write to:

Andrea J. Williams
Personnel Manager
Irving Trust
36-38 Cornhill
London EC3V 3NT

Irving Trust

Financial Accountant - Company Secretary
Light Engineering/High Technology

S. London — **c.£20,000 pa + bonus & company car**

A small but highly innovative and growing electronic and engineering group (T/O c.£3m) now needs a Financial Accountant to assume responsibility for the full range of financial accounting and management control systems. This is a role for a lively, innovative and "shirt-sleeved" accountant who will:

- Monitor and maintain existing computerised financial and management accounts and budgets.
- Prepare and monitor cash flow projections
- Initiate and develop improved costings for the associated companies
- Monitor costs to meet the Group's product development strategy
- Handle all statutory returns and legal matters.

Candidates, aged 30+ will be qualified CA, ACA, ACMA or ACCA. They must have gained not less than 6 years' relevant experience in a manufacturing environment - preferably in broad based light engineering.

Please apply in the first place to Paul Sinha (Director), Sinclare Associates, Speldhurst, Brittains Lane, Sevenoaks, Kent, TN13 2NG. ☎: 0732 460205 quoting ref. no. 5425.

Sinclare Associates
Management and Personnel Consultants
London · Sevenoaks · Kettering · Cambridge

International *Banking*

PROJECT ACCOUNTANT
International bank based in London and active in both investment and commercial banking seek a newly qualified Chartered Accountant to be involved in the project work from instigation to completion plus aspects of Financial Control duties. SALARY: to £18,000 plus benefits.

ASSISTANT CHIEF ACCOUNTANT
European bank of high standing seek a person aged 25-35 offering either an accountancy qualification or an appropriate banking/finance background. Varied duties and responsibilities will include financial accounting, projects/ad hoc assignments, system development and will also require supervisory ability.
SALARY: to £20,000 plus benefits.

FINANCIAL ANALYST
World ranking U.S. bank have a vacancy for a newly qualified ACA to undertake a wide range of responsibilities including budgeting, financial reporting, analysis of proposals/strategies and co-ordination of financial activities. First class career opportunities plus excellent salary and benefits package for the successful candidate.
SALARY: to £24,000 plus benefits

MANAGER — ACCOUNTS
A British bank involved in International Merchant Banking require a Chartered Accountant with at least three years relevant experience to manage and control the Accounts Department. The position will carry fully delegated responsibility and provide ample opportunity for effective contribution to the department.
SALARY: to £25,000 plus benefits.

CORPORATE/PROJECT FINANCE
A first class European bank of fine reputation seek a newly/recently qualified graduate ACA with experience of financial service companies. The duties will combine research, evaluation and business development requiring a practical and self motivated person ambitious for a rewarding career opportunity.
SALARY: c£20,000 plus benefits.

INTERNAL AUDITOR
A relevant position within a truly progressive British bank involved in extensive international business. Suitable candidates will be either newly qualified ACA/ACCA or part qualified/time barred and have previously gained direct auditing experience in the financial sector.
SALARY: c£20,000 plus benefits.

BANK RECRUITMENT CONSULTANTS.

Gordon Brown

57/59 LONDON WALL, LONDON EC2M 5TP
TEL: 01 628 7601

Shaping the Future

Financial management in Royal Mail Parcels

c £19,000 plus bonus

If you can bring about change, if you can control events and if you can manage and influence people, then we need you to help shape our future.

We are strenghening our financial management and we are looking to appoint two qualified accountants to take charge of the finance function at the London Overseas Mail Office based in West Ham and at West London Parcels District Office based in Brent Cross.

Our aim is to develop new financial management information and control systems to aid the successful management of these units. Can you help us to meet this challenge?

You will work as an integral part of the management team and you must have the ability to manage and motivate your finance team.

You should be a qualified accountant with at least 3 years post-qualification experience with a major industrial or commercial organisation and you should have a proven track record of working effectively with senior managers in other disciplines.

Starting salary will be between £18,000 and £20,000 (which includes a London weighting allowance). There is an excellent leave allowance and a contributory pension scheme. Assistance with removal/relocation expenses will be given in appropriate cases.

For further details and an application form write to: Diane Renham, Ref FM/FT, Room 511, Royal Mail Parcels Headquarters, 33 Grosvenor Place, LONDON SW1X 1PX or telephone our answering service on 01-245 7760.

Completed applications should be returned to the same address by 26 June 1987.

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The Post Office

Our business is your future

Management Accountant

£20K + Car **London**

To support an ambitious store development programme of up to 20 new Sainsbury's stores a year we have recently created a new development-devoted Financial Control Department within our London-based Development Division. This is a brand new role for an accomplished Management Accountant to head the management accounting section of this Department.

Providing appropriate and timely financial information to divisional management will be achieved through the design, development and enhancement of management reports. This will demand an innovative and creative approach particularly in working with DP professionals to generate new information systems. Effective control of a team of two assistants should ensure accurate budgeting, forecasting and cost monitoring on a period basis for large capital expenditures.

A qualified accountant, aged around 27 to 35, your post qualification experience in a large organisation should preferably include capital expenditure control or exposure to a property development environment. Of great importance also, will be your ability to operate effectively under pressure, your skills in influencing non-financial project management teams and your commitment to developing both the role and the Division.

Success will lead naturally to career progression either within Store Development or into other business areas. The salary is supplemented with a company car and the benefits you would expect from one of the UK's most successful retailers including relocation assistance where appropriate.

Please write with full c.v. to Mrs S. D. Tasker, Recruitment Officer, J Sainsbury plc, Wakefield House, Stamford Street, London SE1 9LL. Tel: 01-921 6104.

SAINSBURY'S

ACCOUNTANT

W1 EXCELLENT PACKAGE

An exciting opportunity has arisen for a qualified accountant with approximately 2 years post qualification experience to join one of the world's leading oil companies. Although US owned the UK operation is autonomous and the company ranks in the top 10 companies operating in the North Sea. The position carries the responsibility for ensuring that the accounting for elements of these North Sea operations is efficiently and accurately performed.

The company has performed well over the last two years despite the difficult market conditions and is exceptionally well-placed to take full advantage of current improvements. Recent tenth round allocations secure an extremely active and optimistic future for the company. The growing Finance Department reflects the aggressive, fast-moving culture of the organisation where demands made on the individual closely match the prospects and rewards offered in return. The existing high level of commitment generated throughout the department has developed a strong team spirit despite the changing shape of the Group.

The post will be attractive to an individual seeking advancement in an exciting environment. Knowledge of the oil industry is not essential. The role calls for good analytical and interpersonal skills as well as a flexible and innovative approach. Experience in the use of computers in an accounting environment would be an advantage.

An excellent benefits package includes competitive salary, non contributory pension, subsidised medical insurance, 5 weeks holiday etc.

For further information please write to Jo Cutmore at Jamieson Scott quoting reference 7251 enclosing details of your career to date.

Jamieson Scott

MANAGEMENT SEARCH

Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX.

Accountancy Personnel

Placing Accountants First

FINANCIAL CONTROLLER for MOTOR DEALERSHIP

N.E. London **£25–£30,000 & Car**

Operating from a number of prime sites in London, our clients benefit from the resources of one of the worlds leading car manufacturers, who together with the companys' ambitious management are creating a high profile and prestigious dealership.

This is a new appointment, to add financial expertise to the talented executive team and the role necessitates a flexibility in approach to combine the day-to-day management of the finance function and development of computerised systems whilst actively participating in the commercial management of the company.

Ideally aged 30-50, applicants should be qualified accountants with experience of the motor industry. Applications which will be treated in the strictest of confidence should be sent to our consultant Gordon Montgomery. Alternatively, telephone him for an early appointment.

For further details please contact:
Gordon Montgomery,
Accountancy Personnel,
63-65 Moorgate,
London EC2R 6BH.
Telephone: 01-638 3955

FINANCE & ADMIN DIRECTOR

New Barnet
Herts.

c£25k
plus
substantial benefits
incl. profit sharing.

Have you reached a point in your career where you are able to take advantage of a rare opportunity leading to an early Board appointment and eventual shareholding within a long established, profitable and rapidly expanding company?

Probably in your early 30's; with excellent professional qualifications; a strong commercial orientation and significant computer and systems literacy, you would positively enjoy the creative and demanding position as a key member of the four man top team responsible for making the decisions as well as implementing them!

The position demands inspired management and leadership qualities combined with sound administrative and professional skills.

Our current turnover of £3.5m is based on an enviable reputation for supplying, servicing and financing specialised commercial catering equipment throughout the UK. We are strategically placed to grow both internally and by acquisition within a solid expanding industry and from our own secure financial base.

If you believe you have the qualities to fulfil this role please write in confidence enclosing full personal and career details including your current job responsibilities and level of remuneration to: **M. Chanarin, Managing Director, Eurolectrics Limited, International House, 67 Lancaster Road, New Barnet, Herts EN4 8AS Telephone: 01-441 4000**

SALES MANAGER

London **OTE £25K**

If you have established your sales and marketing abilities in selling a high quality service to a professional market, we would like to hear from you. Recruitment, consultancy, market research, financial services, training and computers are all possible backgrounds.

We design and sell computer software for all types of recruitment businesses. We are definitely not boffins and the emphasis is on quality and responding to customer needs. We are well established and have a high proportion of repeat business. We are growing fast.

We need a young, ambitious sales professional to lead our selling effort and to manage after-sales support. You will report to the MD and have 3 staff.

Please send a summary of your background to David Dillistone, David Dillistone Systems, 158 Victoria Street, SW1E 5LB.

Financial Director

North West **to around £40,000 + bonus and equity**

This is one of those very rare opportunities to join a company at a critical point in its progress, to be a major influence on the next stages – and to reap the rewards of success.

Turnover is £35million and rising fast; the company is a leader in a dynamic and fiercely competitive consumer market.

There is scope for organic growth (new markets, stronger territorial presence) as well as acquisition and diversification.

Backing and funds are available; the goal is a diversified group and a public flotation.

The Financial Director's role covers all financial and secretarial matters – from cash to computers, treasury to trade marks.

It is very much at the heart of the business and its future.

Candidates, male or female, must be FCA, age early 30s to around 40. They must already be at Director or Controller level in a business of at least comparable size to our client's, ideally consisting of several units.

They must be independent-minded professionals with business nous and total commitment.

Salary negotiable to around £40,000 plus performance-based bonus; equity will be available on attractive terms. Benefits include car, health insurance, relocation help to Manchester area if needed.

Please send career details – in confidence – to D. A. Ravenscroft.

Ravenscroft & Partners

Search and Selection
20 Albert Square, Manchester M2 5PE

DIRECTOR FINANCE AND ADMINISTRATION

Thames Valley c.£30,000 + Car + Substantial bonus

Our client's business is the assembly, distribution and sales of item processing equipment used by banks and similar institutions. The company is US-owned, highly successful and a world leader in its field. UK turnover is around £8m and increasing quickly.

The director will have considerable involvement in the overall commercial development of the business including a small German subsidiary, and manage the accounts and administration department.

The ideal candidate will be a qualified accountant, aged 30 to 45 with broad-ranging finance experience gained in a medium-sized, US-owned organisation and be familiar with working with tight deadlines. Management experience at senior level is essential.

Please send brief personal and career details to Carrie Andrews, ref F/087/A, Ernst & Whinney, Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Ernst & Whinney

MANAGEMENT CONSULTANCY

We require qualified accountants under 30 years of age to join our team. Experience in financial systems, computer consultancy and investigations a necessity.

The work is varied and challenging – the clients commercial and demanding.

You must be highly motivated, creative and ambitious. A salary package is offered that will match your ability and experience with early promotion prospects.

Please write enclosing full c.v. with a recent photograph to:

P.E.G. Management Consultants
54 Welbeck Street
London W1M 7HE.

P · E · G
MANAGEMENT CONSULTANTS

Financial Analyst

International Headquarters role in a fast moving Consumer Business

C.London c.£25,000

My client, a subsidiary of a major US multi-national, is a market leader in a consumer market characterised by high natural pace. The London office provides a comprehensive financial service across the company's worldwide business which is organised through subsidiaries and licensees covering territories in Europe, Middle and Far East and the Pacific regions.

Your responsibilities, as part of a financial planning and analysis team, will be to provide high quality information to senior management and at the same time support and guidance to operating subsidiaries, particularly the smaller organisations whose finance staff resources are less extensive. Your role will focus on financial reporting, management accounting consolidations, budget preparation, forecasting, interpretation of results and a variety of ad hoc analyses and investigations.

The post should be attractive to qualified accountants in their late 20's or early 30's who offer well developed communication skills and a high standard of computer literacy.

The post carries a fully competitive range of employment conditions.

Applicants of either sex should apply in confidence to Michael Johnson on (0962) 53319 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting ref. 761.

Johnson Wilson & Partners
Management Recruitment Consultants

FINANCE DIRECTOR

Construction **Hampshire**

c £30,000 + Share option + car + Pension

Our client is a publicly quoted property developer and construction company with primary interests in London, Southern England and Wales. Current turnover is in excess of £30m.
The increased level of business achieved in the last two years together with further planned expansion has led to the need for a Finance Director to be appointed for the Construction Division.
Reporting to the Chief Executive responsibilities will include all financial aspects of the business in addition to the development of financial recording and reporting systems.
The ideal applicant, aged 30-40 will be educated to degree level, professionally qualified and will have had experience in the construction industry, preferably within a large organisation.

Applicants, should send a detailed cv in confidence to:—

John Willcox-Jones MSc FCMA
Haines Watts Recruitment Services
Palladium House, 1-4 Argyll Street, London W1V 1AD

Haines Watts Recruitment Services

AMBITIOUS ACA – MANAGEMENT ACCOUNTANT

C £14,000 + BONUS AND BENEFITS

We are seeking a young, recently qualified accountant who wishes to gain valuable experience with a fast growing public company, current annual turnover £36m. He or she will be working closely with the two FCAs and an ACA together with a number of divisional accountants, who make up a well balanced financial force. The newly created position will prove most interesting and apart from the salary, there is a substantial bonus scheme in being, plus other health and pension benefits. Above all we guarantee a happy working environment.

Write to:
David Gillott
Group Financial Controller
BRASWAY PLC
All Saints Road, Wednesbury, West Midlands WS10 9TS

EXECUTIVE JOBS

IF YOU EARN OVER £25,000 PA AND ARE SEEKING A NEW OR BETTER PAID JOB

In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you.

Our successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the unadvertised vacancy area.

Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Expat Service. 32 Savile Row, London, W1. Tel: 01-734 3879 (24 hours)

Connaught

K SHOES

Finance Director (Designate)

Lake District — to £28,000 + Bonus + Car

Our client, K Shoes, is the highly profitable, household-name manufacturing and retailing subsidiary of one of the UK's leading footwear groups. With a t/o of £90m and a history of successive record profits, they are committed to continued expansion, both organically and by acquisition.

Internal promotion has created the requirement for a Finance Director (Designate), who will assume total responsibility for the Company's finance, data-processing and Company Secretarial functions. The successful applicant will be expected to contribute to the company's future success by exercising stringent control over the cost base, maximising the effective use of finanancial resources and providing creative commercial input.

Candidates, aged 35-50, should be qualified accountants, with a strong background in technical accounting and systems development, together with a strong personal presence and commercial awareness.

Comprehensive relocation facilities are available where appropriate. Interested applicants should contact Stephen Banks ACMA, quoting ref. 7091, on 061-228 0396, at Michael Page Partnership, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Appointments Advertising

£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre

For further information call:
01-248 8000

Daniel Berry
Ext 3456

David Rhodes
Ext 4676

Tessa Taylor
Ext 3351

RECRUITMENT CONSULTANTS

London — **c £25,000 + car**

Touche Ross Management Consultants, one of the fastest growing parts of a leading UK accountancy practice, owes its success to the quality of the people it employs and the emphasis it places on their continuing development.

The Executive Selection Division carries out recruitment assignments at senior level in a variety of disciplines including general management, finance, IT, production, sales, marketing, personnel and administration. Clients range from small private companies to major multinationals and cover all sectors of the business world.

The additional consultants we now seek will take full responsibility for all aspects of their assignments. Whilst candidates will ideally have broad recruitment experience with a financial bias, equal importance will be placed on personal qualities such as the ability to relate to clients and develop additional business.

Please telephone to discuss or send a career résumé, including salary history and day-time telephone number, quoting ref: 2795 to Graham Perkins.

Touche Ross
The Business Partners
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

Financial Controller

Isle of Wight — c. £20,000 + bonus + car

Our client is a £10 million turnover subsidiary of a major U.K. Group and a market leader in the design and manufacture of air conditioning and refrigeration systems.

As a result of internal reorganisation they now seek to appoint a Financial Controller. Reporting to the Managing Director, you will be responsible for the financial accounting and company secretarial functions with particular emphasis on financial reporting, planning and forecasting, systems development and project work. You will also be expected to become fully involved in all aspects of the company's affairs as a member of its senior management team.

Suitable candidates, age 28-35, will be qualified accountants, with an excellent track record gained in the manufacturing industry. Well developed communicative skills, a strong personal presence and commercial awareness are essential qualities for this demanding role.

The company offers an attractive package including bonus, company car, pension scheme, and private medical care. Assistance will be provided with relocation expenses where appropriate.

Interested candidates should write enclosing a comprehensive curriculum vitae to Mark Carriban ACA at Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor, SL4 1BG quoting reference SV 1056.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

IMRO

ACA'S IMPROVE YOUR CITY PROFILE

IMRO is not another layer of bureaucracy, a jungle of red tape or a routine auditor of standard procedures.

IMRO is a collection of highly motivated professionals undertaking an entirely new role in the UK investment sector.

IMRO now seeks top calibre, recently qualified ACA's with an interest in the City and a wish to fulfil their executive potential in an investigative role. Ability to operate effectively in an environment of constant change is essential.

IMRO offers competitive City salaries plus mortgage subsidy, along with the challenge and profile normally associated only with senior management positions.

For further information please contact Nick Root on 01-404 5751 or write enclosing a comprehensive CV to Michael Page City, 39-41 Parker Street, London WC2B 5LH. Strict confidentiality assured.

MP
Michael Page City
International Recruitment Consultants - London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

GRAND METROPOLITAN

.... adding value

Management Accountant circa £21K + Car

Grand Metropolitan is a world leader in the provision of consumer products and services in the food, drink, hotels and personal service sectors. In 1986 the company reported its twelfth consecutive year of profit growth. With turnover in excess of £5 billion and profits up to £367 million, the company looks forward to further growth in each of its very competitive international markets.

Planned reorganisation within the corporate head office in Central London has seen the creation of an exciting opportunity for a young and ambitious Accountant. As part of a small and close-knit team the successful candidate will play an important role in the improvement and enhancement of the Group's PC-based management information systems to meet the needs of the growing business. He or she will also be involved in the preparation and review of Group results, forecasts and plans, and in the preparation of reports for senior management. The position will have a high profile and it is envisaged that it will lead to rapid advancement within the Group.

Applications are invited from qualified accountants with experience of sophisticated management information systems within a large company environment. A good working knowledge of PC-based systems, preferably IBM PC and Lotus 1-2-3, is essential.

If you feel you have the ambition, flexibility and highly developed communication skills essential for this role, please telephone David Northmore on 01-831 2000 or write to him at 39-41 Parker Street, London WC2B 5LH quoting Ref. 2088.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

London—Brussels

ACCOUNTANTS

An international financial services company with offices in six countries, and a Group headquarters in Brussels requires to appoint two qualified Accountants, one for London and the other for Brussels.

The Group has a planned aggressive expansion programme which has given rise to these vacancies.

Aged 28-35 they should have worked in a financial/commercial business environment.

An attractive package is offered.

Write Box A0589, Financial Times, 10 Cannon Street London EC4P 4BY

Bayer UK Limited is part of the International Bayer Group, manufacturing and marketing a wide range of products in the industrial, agricultural, pharmaceutical and consumer fields.

Due to continued growth, our Finance and Administration Division now needs:

TWO YOUNG QUALIFIED ACCOUNTANTS

Reporting to the Financial Accountant you will be involved in a broad spectrum of accounting activities, ranging from the preparation of accounting statements to the further development of internal controls and systems.

These new posts call for Chartered or Certified Accountants with experience in consolidation of accounts. You should also have experience of working both with mainframe computerised systems and P.C's. You will also be expected to liaise with Custom and Excise, external auditors and Bayer AG audit team.

Judgement, good interpersonal and interpretive skills, accuracy and integrity complete the qualities you will need in either of these exciting, high profile positions.

You can look forward to considerable further career prospects within Bayer, as well as a highly attractive salary and benefits package including a contributory *pension scheme, free life assurance, and subsidised BUPA. Relocation assistance* will be given where appropriate.

Please send for an application form if you are interested in the position to Carole Swetenham, Bayer UK Ltd, Bayer House, Strawberry Hill, Newbury, Berkshire RG13 1JA.

Bayer
Improving the quality of life.

BUNZL

Divisional Controller

Package c£25,000 + car

Filtrona International is a major international division of the successful Bunzl *Group and is organised* into three separate business areas covering filter products, instrumentation and plastics and packaging. With operating companies worldwide, the division is currently engaged in a significant acquisition programme to further develop its activities as a major profit contributor to the Group.

Reporting to the Divisional Finance Director, the Controller and his/her small professional team will be responsible for reporting procedures and other financial activities of the division including the management of foreign exchange exposure as well as special projects and detailed involvement in the acquisition programme.

Applicants should be graduates, preferably ACA, with training in one of the top eight audit firms, as well as post-qualification experience in a large industrial organisation. A working knowledge of computers and experience of financial modelling techniques is called for. Some overseas travel will be required.

The remuneration package will include a company car, incentive *bonus* and the usual fringe benefits associated with a progressive company. Filtrona International is located in prestigious new offices in Harpenden, Hertfordshire.

Applications to:—

A. S. Knighton, Group Personnel Manager
BUNZL PLC
Friendly House, 21-24 Chiswell Street
London EC1Y 4UD

FINANCIAL CONTROLLER

EXCELLENT CAREER PROSPECTS

SOUTHAMPTON — **In excess of £20,000 + car**

Our client is a rapidly growing specialist distribution company. They have recently completed a major acquisition which has resulted in the need to recruit a financial controller.

You will be an ambitious qualified chartered accoutant probably aged 28-35. *You will be self confident, assertive but tactful, and have* considerable initiative and energy coupled with the ability to communicate at all levels with a "hands on" management approach.

Further growth with the emphasis on acquisition is foreseen. In-depth investment appraisal experience would, therefore, be an advantage but not essential.

Reporting to the management director this is seen as a positive *development* role wtih excellent career prospects. You must, therefore, be able to display not just an impressive track record to date but the motivation and ability to progress quickly.

You will be responsible for all aspects of financial control. An immediate priority will be for you to upgrade the financial and management information using computer based systems. Previous computer experience is therefore a must.

This is a tremendous opportunity to join an expanding group at an early stage in its growth.

Please write with full career and personal details to:
David W. Breger
LIVINGSTONE FISHER ASSOCIATES LTD
Management Consultants, Acre House, 69/76 Long Acre
London WC2E 9JW

Are you outstanding?

Financial Controller

Excellent package — *Based in the West Midlands*

We are a firm of executive search consultants. We have been assigned by a client to locate an exceptional financial controller to work within a key division of the company.

Our client is one of UK's leading food manufacturers. The company operates in an exciting fast moving environment, achieving 25% growth last year. This naturally creates the need for ever changing controls and techniques.

Do you have the following qualities?

★ High level of intellect;
★ Impeccable financial skills;
★ Well developed communication skills, decisiveness, tenacity and the will and character to achieve results;
★ The ability to demonstrate considerable achievements in your career to date?

Are you interested in

★ A position that will stretch your intellectual and physical capabilities;
★ Broadening your experience in a competitive and professional environment;
★ The opportunity to progress into general management or on to more senior financial positions, either in the UK or abroad?

Rewards

The Company envisages attractive rewards packages for talented individuals and the salary offered will not be a barrier to successful appointments.

Please write in complete confidence to Joanna Man, Ely House, 37 Dover Street, London W1X 3RB or telephone for further details on 01-409 1343.

Appointments Wanted

CONSULTANT CONTRACTING

British Chief Executive with extensive and varied contracting experience in Europe, U.S.A. and Middle East, available for consulting assignments *on full or part-time* basis. Excellent negotiating skills; French spoken; Engineering, Marketing and Business Administration qualifications.

Write Box A0591, Financial Times 10 Cannon Street, London EC4P 4BY

FCMA FCIS Consultant

(Age 42 years)

With broad industrial and commercial experience including Finance Director of quoted plc is seeking challenging consultancy projects/flotation and business planning/financial and general management/research assignments.

Write Box A0558, Financial Times 10 Cannon Street, London EC4P 4BY

GROUP DIRECTOR OF FINANCE

North West **Negotiable c.£35,000 + car**

Our client is a growth orientated group of companies in the construction industry with property development interests. The company is engaged in substantial projects throughout the UK and overseas and expects turnover to be £30 million in the current financial year.

The Chief Executive of the group has ambitious plans for expansion and during the last six months has made a number of key appointments to strengthen the management team. A Group Director of Finance is now required to join the main Board of the company and provide financial and commercial support to the Chief Executive.

This role will involve exercising strong financial control over the group's activities, developing the use of computer systems in the group and performing financial appraisals of new development schemes and potential acquisitions.

Applications are invited from ambitious qualified accountants aged between 35 and 45. Candidates, who will be fully conversant with computers, should ideally have held a senior financial position in the construction industry.

The benefits package reflects the importance of the position and will include performance related bonus, fully expensed executive car, private health scheme and help with relocation if appropriate.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting reference 2796 to John Scarisbrick, Executive Selection Division.

Touche Ross
The Business Partners
P.O. Box 500 Abbey House, 74 Mosley Street, Manchester M60 2AT. Tel: 061 228 3456.

FINANCIAL DIRECTOR DESIGNATE
FIRM LISTING PLANS

W Yorkshire

c£25K + share option
car, pension, BUPA
Age indicator mid-30's

With an enviable quality image and an impressive growth and profit record this young, privately owned £10 million pa fabric manufacturer and designer supplies the contract furnishing market, worldwide. Further investment is currently being undertaken to expand capacity and improve facilities to satisfy customer demand.

The company has a firm intention to seek a Stock Exchange listing in the medium term and a top flight professional able to establish credibility with the financial community and, ideally an awareness of listing requirements is needed to take full responsibility for the financial function.

The successful candidate will be a fully qualified financial professional, an excellent leader, computer literate with well developed communication skills and the essential drive and assertiveness to make a personal contribution to the direction and success of the company. The ability to work closely with a small executive team of like-minded executives is a pre-requisite.

Remuneration, including share option, and career prospects make this an outstanding opportunity.

For further details and an application form, please write to Mr V. Burke, Senior Consultant – Human Resources, 3i Consultants Ltd., 34 Park Cross Street, Leeds LS1 2QH, or telephone Leeds (0532) 459469 (24 hour reply service), quoting Ref: NR/681.

3i Consultants Ltd
Human Resources Division

Bayer UK Limited is part of the International Bayer Group, manufacturing and marketing a wide range of products in the industrial, agricultural, pharmaceutical and consumer fields.

Due to continued growth, our Finance and Administration Division now needs:

TWO YOUNG QUALIFIED ACCOUNTANTS

Reporting to the Financial Accountant you will be involved in a broad spectrum of accounting activities, ranging from the preparation of accounting statements to the further development of internal controls and systems.

These new posts call for Chartered or Certified Accountants with experience in consolidation of accounts. You should also have experience of working with both mainframe computerised systems and P.C's. You will also be expected to liaise with Customs and Excise, external auditors and the Bayer AG audit team.

Judgement, good interpersonal and interpretive skills, accuracy and integrity complete the qualities you will need in either of these exciting, high profile positions.

You can look forward to considerable further career prospects within Bayer, as well as a highly attractive salary and benefits package including a contributory pension scheme, free life assurance, and subsidised BUPA. Relocation assistance will be given where appropriate.

Please write or telephone for an application form if you are interested in the position to Carole Swetenham, Bayer UK Ltd, Bayer House, Strawberry Hill, Newbury, Berkshire RG13 1JA. Tel (0635) 39482 – *office hours or (0635) 39466* – answerphone outside office hours.

Bayer
Improving the quality of life.

Move into Investment Management

Financial Controller

(FD Designate)

CITY
up to £30,000 + car

Our client is a rapidly growing, profitable City firm providing discretionary portfolio management services for *expatriates and UK residents. Formed in 1979, the* firm is poised for expansion into new products and markets.

A financial controller is now required to assist the Managing Director in shaping the firm's future. The successful candidate will be responsible for all accounting, financial and administrative matters, including maintenance of client accounts and preparation of management and statutory accounts. A *significant contribution to the firm's strategic plan* and its implementation will be expected, as well as guiding the further computerisation of the present *systems. A key role will be investigating and advising* on acquisitions.

If you are an FCA/ACA, with solid experience in computers, knowledge of the securities market, commercial acumen and entrepreneurial flair, you may be the right person to fit into this dynamic and hard-working environment. If so, then send a concise CV with salary history to Steve McBride.

ROBSON RHODES
Chartered Accountants

Management Consultancy Division
186, City Road, London, EC1V 2NU.

ACQUISITION FINANCE

Our client, a major international commercial concern, offers a highly motivated and energetic Accountant the opportunity to contribute directly to their continued success and global market lead.

The new position will reflect the emphasis placed by the group on acquisition and new business development and will require an astute and imaginative approach to problem solving and market analysis.

Areas of focus:

- The provision of in-house research support and advice on new acquisition and merger proposals
- The production of feasibility studies, target company analyses and risk assessment
- Liaison with advisers on both new prosposals and current projects
- Some assessment of the capital expenditure programme.

Aged 25-30, the successful candiate will be a graduate A.C.A. with some post qualification experience in either a professional or commercial role.

Excellent prospects for career development and highly competitive salary package will reward hard work and whole hearted commitment.

For further information contact Sara Bonsey.

All applications will be treated in strict confidence.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

CAPITAL FUTURES
RECRUITMENT CONSULTANTS

International Appointments

Head of Administration

Spain **£25,000+**

Our client is a major international leisure complex developer. Its el Capistrano complex on the southern coast of Spain already comprises more than 1,500 high quality villas and apartments, divided into four separate, self-contained villages each with its own full range of services and leisure facilities.

The fifth village is now under way and a big building programme is starting. Our client needs a Head of Administration for its development company who will report to the British President in Spain and take complete charge of the company's finance and administration functions.

The successful candidate will be aged late 20's upwards, well qualified, and fluent in Spanish. Experience will have included the operation and enhancement of computerised management information and control systems, certainly in the international contracting industry and probably in Spanish-speaking countries.

This is a fast-moving, rapidly-growing operation, and there will be ample room to grow with it. Other benefits will include furnished accommodation. English schools are available.

Letters of application, together with CV, salary progression and any other relevant data, should be sent without delay to Mr. C.A. Cotton, Executive Recruitment Division, Stoy Hayward Associates, 3rd Floor, Waterloo House, 20 Waterloo Street, Birmingham, B2 5TF, quoting reference SHA 881.

Interviews will be held initially in London and Birmingham.

Stoy Hayward Associates
MANAGEMENT CONSULTANTS
A member of Horwath & Horwath International

FINANCE MANAGER

Abu Dhabi **c.£20K tax free + benefits**

Our client is a joint venture partnership between a highly reputable Arab group and a well known US company, engaged in the distribution and service of air-conditioning equipment.

Responsibilities will cover all financial and accounting matters, tight budgetary control, the provision of timely and meaningful management information and the implementation of further computerised systems.

Eligible candidates will be qualified accountants, ideally aged around 30, with a minimum of five years experience, a good working knowledge of personal computers and relevant accounting software, fluent in English and possessed of initiative and leadership qualities.

Applications in strict confidence under ref: 6922 to Jennifer S. Tucker, Mervyn Hughes International Ltd, 63 Mansell Street, London E1 8AN. Tel: 01-488 4114.

QUALIFIED ACCOUNTANTS
c£17,500 – £25,000 + car

Are you a recently qualified accountant or finalist looking for a new career?

With a wide variety of excellent positions available in small to medium-sized companies, and diversity of other blue chip companies we are ideally placed to fill your job requirements.

Our service is personal, professional and completely confidential. We may have just what you've been looking for so why not ring us today for an appointment or simply send us your C.V.

Ref: C.A./346

OPERATIONAL AUDITOR
c£20,000 + car

London based public company in the leisure and service industry offering a positive career path. Work involves ad. hoc. assignments, investigations and acquisitions with overseas travel.

Ref: E.L./146

write/phone to: **ACCOUNTANCY ASSOCIATES LIMITED**
temp /perm. recruitment consultants
5 VIGO STREET LONDON W1X 1AH TEL:01-439 3387/8/9

Appointments Wanted

Ambitious young BOND SALESMAN
With 18 months' direct selling experience in Sterling Bonds seeks rewarding position in an expanding investment bank, with a view to broadening his bond selling expertise.
Write Box A0588, Financial Times 10 Cannon Street, London EC4P 4BY

GENERAL MANAGER
British, aged 46, specialist in marketing and international financial services, including project finance, leasing and trade finance, seeks challenging senior management position. Fluent French, Spanish, Portuguese and wide range of experience throughout Europe, America and Middle East. Based UK, able to travel, willing to relocate.
Write Box A.0587, Financial Times, 10, Cannon Street, London EC4P 4BY.

International Appointments

SALES TRADERS

U.S. Investment Bank seeks experienced sales traders to join its growing International Equities Department. Several positions are also available in our expanding Derivatives Unit including Convertible Bond Sales/Trading and Options Sales.

Send Curriculum Vitae to:

Pamela Haynes
Personnel Manager

Donaldson, Lufkin & Jenrette
Donaldson, Lufkin & Jenrette International
Jupiter House, Triton Court
14 Finsbury Square
London, EC2A 1BR, England

Public Notices

Message to Gas Suppliers

- ☐ Are you supplying gas through pipes?
- ☐ If so, do you have proper authorisation?
- ☐ Do you know that it may be an offence to supply gas through pipes without authorisation?

"Supplying gas" means gas sold by one individual or company to another. The term "gas" refers to any combustible gas such as natural gas, propane, butane, landfill gas or coke oven gas.

In general, you require an authorisation to supply gas through pipes. Such authorisations, under section 8 of the Gas Act 1986, are granted by the Director General of Gas Supply.

However, you do **not** need an authorisation if:

- ☐ you buy gas for your own use (for example if you buy LPG, either in cylinders or as a liquid which is stored in a permanent tank, and do not sell it to anyone else);
- ☐ you are reselling to the occupants of flats within a building, which you own, gas supplied to the building by British Gas;
- ☐ the gas is supplied by a company to a subsidiary company;
- ☐ the gas is supplied to British Gas;
- ☐ the supply of gas exceeds 2 million therms a year and you have notified the Secretary of State for Energy.

An authorisation cannot be granted for the supply of gas to premises situated within 25 yards of a British Gas distribution main unless either British Gas gives its consent, or the rate of supply would exceed 25,000 therms a year.

If you believe that you require an authorisation, or if you are in any doubt, get in touch with the Office of Gas Supply at the following address: Office of Gas Supply, Southside, 105 Victoria Street, LONDON SW1E 6QT. Tel: 01-828 4155.

ofgas
Southside
105 Victoria Street
London SW1E 6QT.

Company Notices

European Investment Bank

7¾ PER CENT 1973/1988
FF 200,000,000 LOAN

Notice is hereby given to bondholders of the above Loan that redemption of FF 1,150,000 was effected before May 15, 1987. Amount outstanding on May 15, 1987: FF 102,305,000.
Luxembourg
May 26, 1987

HERON INTERNATIONAL FINANCE B.V.

Issue of up to US$150,000,000 Guaranteed Floating Rate Notes *due 1993*

NOTICE IS HEREBY GIVEN that for the interest period commencing on June 19, 1987 the US dollar notes will bear interest at the rate of 7⅜% per annum. The interest payable on December 21, 1987 against coupon No. 2 will be US$39.184028 per US$1,000 nominal.

Fiscal Agent
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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday June 18 1987

First Boston Corp to disband trading desk

BY ANATOLE KALETSKY IN NEW YORK

FIRST BOSTON Corporation, the prominent Wall Street securities house, has decided to disband its "proprietary fixed-income desk", effectively admitting its inability to control or analyse the risks of trading certain new kinds of financial instruments for its own account.

The reorganisation, which follows the large trading losses disclosed by the firm on Tuesday, will affect only a handful of traders but it is the latest and clearest indication of the financial volatility and management problems created by the proliferation of novel trading techniques on Wall Street.

First Boston's loss, estimated by outside analysts at around $100m, resulted from the disastrous effect of April's bond market slump on specially-tailored bond options which the firm had been selling for its own account.

Unlike the losses recently disclosed by Merrill Lynch, First Boston did not suffer from unauthorised trading.

Its losses were incurred by traders operating fully within the firm's guidelines. The trades involved were designed to generate profits from a stable bond market by selling partially offsetting put and call options.

However, when the bond market collapsed, it proved impossible to limit losses on the put option, which lacked liquidity because of their tailor-made characteristics.

The winding up of the proprietary fixed-income desk, which was responsible for devising and marketing such options, was accompanied by an explicit statement by First Boston's management that the risks in this kind of activity were now deemed to be excessive.

This seemed to imply a vote of no confidence in the professional mathematicians, or "rocket scientists," employed by leading securities firms around the world to carry out computerised analyses of novel instruments and trading strategies.

Such analyses are designed both to create new instruments and to arrange hedges that would set precise limits on the risks these instruments entailed.

"With the number of new products you have today, the problem is that you haven't seen how they act in all kinds of markets," Mr Peter Buchanan, First Boston's president said in explaining his firm's decision to close the proprietary fixed-income desk.

Chase to sell stake in Egypt venture

By Richard Johns in London

CHASE MANHATTAN Bank of the US announced yesterday that it was selling out its share in one of the more successful joint ventures in Egypt to its majority partner, the National Bank of Egypt.

Chase said the divestiture of its 49 per cent stake in Chase National Bank Egypt was in line with its policy of reducing minority holdings worldwide.

Chase National Bank (Egypt) had assets of E£1.03bn ($450m) at the end of 1985 when it made a pre-tax profit of E£26.5 and one after tax of E£12.6m. Loans outstanding were E£438m.

Agreement has been reached on the purchase of its 49 per cent stake by NBE, the largest commercial banking institution in the country with assets of E£10bn by the end of the fiscal 1985/86.

Allegis plan runs into problems with unions

BY JAMES BUCHAN IN NEW YORK

PLANS by new management to break up Allegis, the Chicago-based travel conglomerate, have run into trouble amid disagreements between key labour groups over the extent of employee ownership of the group's United Airlines subsidiary.

Mr Frank Olson, who took over as chairman of the embattled group in a boardroom coup last week, yesterday held a meeting with a group of non-unionised employees, known as the Coalition Acting for Rights of Employees (Care), which late on Tuesday proposed a minority holding for the airline's 61,000-strong labour force.

Employee ownership is seen as a key to improving the poor labour relations at United which helped precipitate 10 weeks of intense takeover speculation, culminating in the forced resignation of Mr Richard Ferris as Allegis chief executive last week.

However, the airline's machinists' union as well as the Care group, oppose a plan by the airline pilots' union that would give employees 80 per cent and control of the carrier.

The pilots' scheme involves providing shareholders with a $70-a-share dividend, to be financed by the sale of all Allegis' hotel and Hertz car rental businesses and by borrowing against the airline's assets.

However, the machinists oppose any plan that would give employees control and involve large wage concessions, as the pilot's scheme would demand.

Mr Olson has held informal talks with the machinists and the flight attendants union, which is so far undecided.

France to give FFr 2.5bn Airbus boost

By George Graham in Paris

AEROSPATIALE, the French state-owned aircraft manufacturer, is to receive a FFr 2.5bn ($410.5m) capital injection from the government over the next three years.

The money will help Aerospatiale finance its share of the development costs of the next generation of Airbus civil airliners, and will almost double the company's capital base.

Mr Henri Martre, Aerospatiale's president, said last month that the group's current capital of FFr 3.1bn was insufficient in relation to its FFr 25bn turnover and to its competitors. The capital base has been increased by FFr 900m over the last three years – FFr 100m coming from the state and FFr 800m from retained profits.

The French Government recently said it would provide FFr 4.86bn in reimbursable grants towards Aerospatiale's share of the programme to build the Airbus A-330 medium range twin-engined aircraft and its sister, the long range four-engined A-340.

The grants represented only 60 per cent of the estimated development costs of the airliners, although the government provided a further FFr 1bn to the state-owned Snecma for the development of a new engine for the Airbus.

Aerospatiale regards its debt level as moderate, after cutting its borrowings by FFr 5.6bn in 1984 and 1985. Last year, however, debt rose again by FFr 900m to FFr 3.7bn, mainly because of a deterioration in the level of customer advance payments.

PAGEMAKER ROCKETS TO HEAVY INITIAL PREMIUM

Aldus shares take off on day one

BY LOUISE KEHOE IN LOS ANGELES

ALDUS CORPORATION, the Washington state desk top publishing software company, made a spectacular entrance into the US public stock market on Monday with a 2.24m share offering that rocketed from $20 to $35¾ in a single day of exceptionally heavy trading.

The excitement surrounding Aldus stems from the company's established position as the leader in the high growth desk top publishing market.

Aldus's product, called Pagemaker, enables personal computer users to create professional looking documents, newsletters and even magazines for a fraction of the cost of conventional methods.

Pagemaker is often compared to such popular personal computer programmes as Lotus 1-2-3 and Visicalc. Each of these products has been a catalyst in creating new markets for personal computers.

Visicalc, the original spread sheet programme, brought personal computers into the business world, while Lotus 1-2-3 is seen as the programme that helped to make the IBM personal computer so successful.

Similarly, Pagemaker is in large part responsible for the emergence of the Apple Macintosh computer from a period of disappointing sales into a highly successful product.

Aldus's stock offering was long anticipated and since its announcement was expected to be over subscribed, widespread interest in the offering drove the underwriters, Alex Brown & Sons, and Montgomery Securities, to increase the offering price from an original $14 to $16 range to $20 and to add 200,000 shares.

The 79 per cent gain in Aldus's stock price on its opening day came as a shock, however, to most industry analysts. "Aldus is a quality company. They've done everything right. They are the leader in a high growth industry, but the excitement surrounding the IPO is overdone," commented Bruce Lupatkin of Hambrecht & Quist.

Other analysts said they expect the stock price to subside to around $30 once the euphoria surrounding the offering wears off.

Even at $16, Aldus would not have been a "cheap stock" said Michael Murphy, editor of the California Technology Stockletter.

Analysts project Aldus's 1987 earnings at 75 cents to $1.00 per share on revenues of about $41m. The company earned $2.4m, or 21 cents per share last year, on sales of $11.1m.

Pent-up demand for a high quality, high-tech offering has much to do with the gain in Aldus's stock price, analysts said. Comparisons are being drawn between Aldus and two software companies that made very successful public stock offerings last year – Adobe Systems, which sells a software programme that enables laser printers to create high quality print for the desktop publishing market, and Autodesk,

Shares in Oxford Instruments fall after drop in earnings

BY STEVEN BUTLER IN LONDON

SHARES in Oxford Instruments, the UK high-technology group, fell yesterday on the announcement of disappointing results and a forecast of lower profits in the current year.

The results came as it emerged that the company has won an order, from IBM, believed to be worth about £10m for a synchrotron – or superconducting atom smasher – which the US computer-maker is to try as a possible manufacturing machine for semiconductor chips.

Oxford also said the successor to Mr Barrie Marson, the company's non-executive chairman, who is leaving at the end of August after more than 16 years, will be Sir Austin Pearce, retiring chairman of British Aerospace.

Oxford shares finished 38p down on the day at 389p in London yesterday after the company said pre-tax profits had risen by 6.7 per cent to £19.65m in the year to the end of March.

Sales, which fell £684,000 to £99.99m ($162.8m) were affected by changes in the US tax laws on capital allowances that hit purchases of its non-magnetic resonance products.

Sales of its main product, superconducting magnets used in medical scanning equipment were hurt by market saturation and are unlikely to grow for at least the next year.

Profits contribution from diagnostic imaging products fell below 50 per cent.

Mr Marson said yesterday: "What we see is a hiatus, a period of waiting for a breakthrough in technology or price."

The breakthrough would follow the introduction of lower-cost magnetic scanners, costing about $1m which may come on the market in a year's time for purchase by medium and smaller hospitals which cannot afford current machines.

Oxford plans to maintain research and development spending at about £8m.

Mr Marson was optimistic about the company's future, which is dependent on several new products under development, including 'Active-Shield' magnets that would sharply reduce hospital installation costs of scanning equipment.

The new products would take several years to show up in sales and profits.

Mr Marson said Sir Austin would be well prepared to lead Oxford, with his experience at British Aerospace dealing with large government and corporate contractors, particularly given Oxford's current range of products for development.

Among the new products being developed is a compact superconducting electron synchrotron, of the type being bought by IBM, which has had a close technical collaboration with Oxford.

General Tire makes offer for Gencorp

By Our Financial Staff

GENCORP, the US diversified industrial group, has received a buyout offer for General Tire & Rubber, the fourth largest US tyre maker which is already the object of merger approaches from Continental Gummiwerke of West Germany and Pirelli of Italy.

The company said yesterday that no details of the buyout offer, which has been put together by executives of General Tire & Rubber, would be made public until all offers were on the table. A public flotation of General Tire was also a possibility.

GenCorp also announced a loss from continuing operations of $25m for the second quarter, including a once-only restructuring cost of $57m, compared to a profit of $16m (72 cents a share) for the same period of the previous year.

Final net profit, after gains from disposals and other financial items, was $187m ($9.56 a share). Sales climbed to $450m from $352m in the same period a year earlier.

INTERNATIONAL COMPANIES and FINANCE

BID BATTLE PROMPTS STRATEGY CHANGE IN NETHERLANDS MEDIA MARKET

Dutch publishers on the offensive

BY LAURA RAUN IN AMSTERDAM

THE DUTCH publishing industry, until now a relatively cosy cartel of like minded companies, is entering an era of heightened competition after the uncommonly bitter takeover battle for Kluwer.

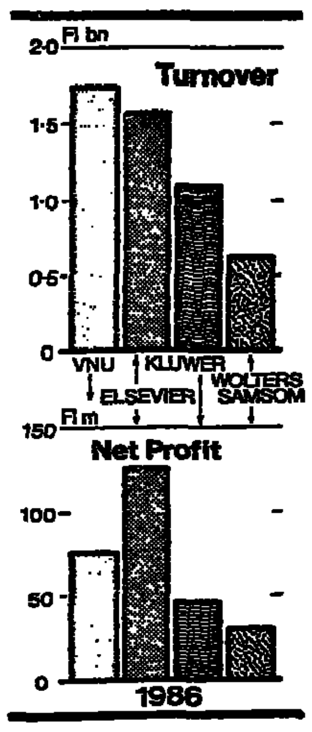
Regardless of the outcome of the dramatically unfolding battle, publishers will be fighting more aggressively on the domestic front now that the comfortable air of camaraderie has been shattered by Elsevier's hostile attack on Kluwer. Abroad, the emboldened publishers are likely to enter new alliances in an effort to maintain rapid growth and carve out promising markets.

Kluwer apparently has been rescued from the clutches of Elsevier, a bigger rival, by "white knight" Wolters Samsom, a smaller competitor which already owns 29 per cent of Kluwer and will launch a public bid for the rest in two weeks. Together Kluwer and Wolters Samsom would oust Elsevier as the Netherlands' second largest publishing company and create a major player in professional and educational publications and new media.

Mr Joop Alberdinck Thijm, chairman of Kluwer, and Mr Mijndert Ververs, head of Wolters Samsom, yesterday enthused over the planned merger that is to be known as Wolters Kluwer.

The new company would benefit from the "strategic fit" of their activities in professional, educational and scientific publications as well as training courses. Per-share profits would rise this year, the debt-equity ratio would remain healthy and the cash flow would stay strong.

Nevertheless, Elsevier is pressing ahead with its competing bid for Kluwer and cannot be written off. Its bid could be launched as early as tomorrow and will throw the battle squarely onto the floor of the Amsterdam Stock Exchange where fluctuating share prices of the three combatants will determine who gets Kluwer.



Already share movements have pared the difference between Wolters Samsom's higher bid and Elsevier's lower one and speculation is raging about manipulative efforts to boost and depress prices.

If the merger goes through between Kluwer and Wolters Samsom, now the third and fourth largest publishers respectively, it would follow years of consolidation in Dutch publishing and leave three companies of nearly equal size with overlapping markets.

The mooted Wolters Kluwer expects turnover of Fl 1.7bn ($829m) this year and would face stiff competition from VNU the top publisher and Elsevier, as well as heavyweights abroad.

Kluwer, which was established in Deventer in 1889, and Wolters Samsom, the Zwolle-based product of several mergers, yesterday emphasised the close fit of their activities and management style. Increasingly they see themselves as "information companies" that collect and purvey information through a variety of media, especially "word of mouth" and electronic publishing.

Mr Alberdingk Thijm and Mr Ververs agreed that their decentralised form of management, designed to promote creativity and local strengths, would continue. Although Wolters Samsom has put more emphasis on foreign activities, together they plan vigorous expansion overseas – especially in West Germany, Spain and Belgium – and expect 60 per cent of revenue from overseas right away.

A combined Wolters Kluwer would enter the league of international publishers such as McGraw Hill of the US on a somewhat smaller scale, emphasising niche markets and new media. Leaping into the big league, however, they will need every bit of financial muscle and creative energy they can muster to maintain markets and forge into new ones.

Among the foremost problems will be educational publishing, where Wolters Samsom is a powerhouse, but where sharply falling numbers of students are cutting into textbook demand and government austerity into budgets.

Controlling costs is another challenge. In recent years both companies have invested heavily, especially in the US, and they need to start reaping the benefits now.

At home the new partnership will face competition from both VNU and Elsevier, which are devoting more attention to business, professional and scientific markets now that books and printing are under serious pressure. VNU and Elsevier are also active in newspapers and magazines, areas where Kluwer and Wolters Samsom have pulled out, but it is the specialised markets where the battle will take place.

VNU, which is based in Haarlem, is active in educational books and courses, trade journals and data-based publishing. Elsevier, headquartered in Amsterdam, is one of the world's leading publishers of scientific journals. It is also expanding vigorously in America, where its operations include the Congressional Information Service, a company that excerpts and indexes US government publications.

Elsevier's hostile bid for Kluwer has focused intense international attention from the publishing industry on the Dutch market and further moves still can not be ruled out. Any of Holland's top publishers, featuring healthy balance sheets and innovative products, could be viewed as attractive acquisitions by, among others, Britain's Mr Robert Maxwell and West Germany's Bertelsmann.

Elsevier's unusual move – by Dutch standards – of pursuing Kluwer against its will is seen as likely to pioneer the way for more unfriendly takeover bids. Contested bids have been few and far between because of the vast array of defensive weapons available to thart unwanted advances, but Elsevier's boldness is expected to encourage others.

Swedish group expands US base

By Sara Webb in Stockholm

INTER INNOVATION, the Swedish cash handling equipment company, has agreed to buy LeFebure, a US company which manufactures security systems equipment for financial institutions, for $69m from L. B. Foster Company.

Inter Innovation has a sales and service subsidiary in the US, and has been looking for a way to expand and strengthen its American base.

"A lot of Swedish companies face financial difficulties when they try to set up on their own in the US market – we wanted an up-and-running organisation with an extensive sales and services network," said Mr Leif Lundblad, managing director.

LeFebure is the second largest producer of bank security and cash handling equipment in the US after Diebold. Last year it had sales of $94m. Pre-tax income reached $9.5m.

LeFebure, which is based in Iowa, has 40 regional offices in the US, 200 service stations and 1,400 employees. It makes alarms, surveillance equipment, safes, card access systems, and automatic teller machines.

It has been a distributor for Inter Innovation in the US and last year developed a series of automatic cash dispensers based on Inter Innovation's technology.

Inter Innovation claims to have 70 per cent of the European market and 90 per cent of the US market for its teller assist cash dispensers.

The company joined the A1 listing of the Stockholm Stock Exchange in April

Losinger posts reduced losses of SKr 4.5m

By John Wicks in Zurich

LOSINGER, Switzerland's leading construction company which is half owned by Enserch of the US, has reported a reduction in net losses from SFr 9.2m to SFr 4.5m ($2.96m) for 1986.

Group turnover fell from SFr 700.9m to SFr 636.8m reflecting both the disposal of the British company Colcrete and the weakness of the dollar.

Net loss of the parent company was down from SFr 19.6m to SFr 2.5m. However, this means an increase in carried-over losses to SFr 31.7m. Losinger was badly hit in 1982 by irregularities on the part of a US subsidiary, following which it took Enserch on board as a major shareholder.

According to Mr Georges Page, the company's managing director, the current year is viewed with "subdued optimism." Both domestic and foreign business are currently running at budgeted levels.

Bergen Bank operating profits rise by 6.7% to NKr 381m

BY OUR STOCKHOLM CORRESPONDENT

BERGEN BANK, Norway's third largest commercial bank, reported a 6.7 per cent increase in operating profits to NKr 381m ($56m) in the first four months, compared with NKr 357m in the corresponding period last year.

The Bergen Bank Group said it expects operating profits for 1987 to be "somewhat higher" than in 1986 when the figures reached NKr 1.2bn.

However, the bank warned that return on equity and earnings per share would be lower this year due to the increase in the number of shares and total equity capital following the recent public share issue.

Total assets for the Bergen Bank Group rose to NKr 84bn, an increase of 27 per cent on the corresponding period last year.

The parent bank showed an 11.7 per cent increase in operating profits to NKr 296m, while total assets rose by 32 per cent to NKr 61bn. Operating profits as a percentage of total assets slipped from 1.78 per cent to 1.58 per cent.

Overall lending reached NKr 43bn in the four months, up 33 per cent on the corresponding period last year. The bank said it was becoming increasingly necessary to maintain a high level of non-interest income, including earnings on foreign exchange, securities and bond transactions, because of the narrowing of interest margins.

Spain agrees telecom joint venture

FINANCIAL TIMES REPORTER

THE Telecommunications joint venture formed by AT & T of the US and Philips of the Netherlands is to take part in a new Spanish company to absorb the non-defence activities of the troubled former ITT subsidiary Marconi Espanola, under a plan agreed with the Spanish Industry Ministry.

The plan is designed to allow Alcatel, the group formed by CGE of France and ITT, to withdraw from Marconi, which it considered to have too wide a range of activities, too many employees and too little technological independence to be viable in its present form.

The French-controlled group is committed to ploughing in Pta 11.9bn ($94m) to restore Marconi's balance sheet.

The AT & T-Philips venture Apt and the Spanish telephone equipment manufacturer Amper will be the main partners in the new company, which is to take over 450 of Marconi's 1,270 employees.

Degussa to take stake in Canada venture

By Bernard Simon in Toronto

DEGUSSA, the West German precious metals group, is to take a 50 per cent interest in a new joint venture to explore for platinum-group metals in North America.

Degussa's partner is International Platinum of Toronto (IP), one of several North American companies which have stepped up the search for platinum to provide a more politically stable source of supply than South Africa, which presently accounts for more than 80 pert cent of non-communist output.

The two companies plan to spend C$4.5m (US$3.4m) over three years, with Degussa matching IP's past exploration and acquisition costs of C$2m and providing half of future needs.

IP already has exploration rights on 20 properties in Canada and the US which appear to have rock structures similar to those of the South African platinum deposits. Among the most promising sites are two in North-West Ontario and one in the North-west Territories.

INTERNATIONAL COMPANIES and FINANCE

Court battle likely over BHP shares

BY BRUCE JACQUES IN SYDNEY

A LONG-RUNNING options play between Australian entrepreneurs Mr Robert Holmes à Court and Mr John Spalvins over shares in Broken Hill Proprietary (BHP), the country's largest company, appeared likely yesterday to prompt a court battle between the two.

This followed a shortfall of nearly 37m BHP shares, worth A$370m (US$266.1m) at yesterday's Sydney closing price of A$10, in scrip delivered by Mr Spalvins' Adelaide Steamship group to Mr Holmes à Court's Weeks Petroleum unit.

The long-awaited settlement was made in Bermuda, where Weeks is domiciled, on Tuesday. But far from ending more than a year of brinkmanship, it seems likely to rekindle hostilities.

The two takeover operators made the deal during the peak of the battle for control of BHP in 1985-86 with Mr Spalvins taking a strong bear view on the stock and Mr Holmes à Court the opposite view. Mr Holmes à Court has been proved correct with BHP shares rising more than 50 per cent in the period, although they are currently well off their year's high of A$12.10 each.

The Spalvins camp issued a terse announcement on the settlement in Sydney yesterday, disclosing the 37m share shortfall. Adsteam said it delivered 72.39m BHP shares and 19.98m shares in its BHP Gold offshoot for which Weeks paid A$292.71m.

"This comprised the agreed purchase price of A$385.45m less agreed liquidated damages of A$92.74m for the shortfall," Adsteam said. "Completion was effected strictly in accordance with the obligations of Adsteam under the agreements as advised by Adsteam's solicitors, Dawson Waldron."

Within hours, Mr Holmes à Court's Bell group had issued its own statement which put a different complexion on matters. Bell said Weeks had accepted deliveries of the shares and monies tendered "on the express condition that it reserves all rights to pursue legal remedies for damages or otherwise for Adsteam's failure to fulfil its contractual obligations."

Bell pointed out that the agreement obliged Adsteam to use "all reasonable endeavours" to deliver 110.25m BHP shares and 30.06m BHP gold shares. "Weeks will take such legal action as is available to it against Adsteam," the announcement said.

Adelaide Steamship shares were steady at A$8.60 in Sydney yesterday following the announcements and Bell Group shares also held at A$8.30.

CSR fights back in bid for Pioneer Sugar

BY OUR SYDNEY CORRESPONDENT

CSR, the Australian sugar and building products leader, fought back yesterday in its bid for Pioneer Sugar Mills by declaring its takeover offers unconditional to allow early payment to acceptors.

This followed the decision of the Pioneer board to recommend acceptance of the CSR bid. But the takeover has been thrown into turmoil by the emergence of Mr Ron Brierley's Industrial Equity (IEL) as a major Pioneer shareholder.

IEL disclosed that it has spent A$30m (US$21.6m) for a 9.5 per cent stake in Pioneer at A$2.54 a share, 4 cents a share ahead of CSR's bid price. Mr Brierley appears to be positioning for a squeeze play as he also holds about 4 per cent of CSR and 11.25 per cent of Bundaberg Sugar, another sugar group.

He has the option of accepting CSR's share alternative bid for Pioneer and increasing his direct CSR stake. Mr Brierley may have bought more Pioneer shares yesterday: the price was steady at A$2.55 with 480,000 shares changing hands.

CSR also continued to be harassed in another of its takeover bids, for Monier, the building products group. Equiticorp Tasman appeared to be continuing to soak up Monier stock following receipt of Foreign Investment Review Board approval to lift its interest to 20 per cent.

Equiticorp confirmed it had lifted its stake from 14.9 per cent to 15.65 per cent on Tuesday at its proposed offer price of A$4.15 cash a share. With about 870,000 Monier shares changing hands nationally, yesterday Equiticorp looked to have lifted its stake further.

Chinese to increase borrowing from HK

CHINESE enterprises will expand their syndicated borrowing arranged in Hong Kong this year to fund large-scale capital investment projects, Mr Zhang Xueyao, general manager of the Hong Kong branch of the Bank of China said, Reuter reports from Hong Kong.

He also told an investment seminar that Peking's interest in the Hong Kong stock market was growing but technical problems were preventing more Chinese enterprises from listing their shares in the British colony.

Mr Zhang said Chinese firms raised HK$4.98bn ($638m) in syndicates loans in the territory in the first five months of 1987 and another HK$3.72bn are under negotiation.

He did not give details of loans being negotiated.

Mr Zhang said China's outstanding borrowings from Hong Kong reached HK$11.52bn at the end of 1986, up 84 per cent from the previous year.

He repeated a previous estimate that China's total foreign borrowings would reach $30bn this year, twice the total of 1986, to finance major construction projects such as power generators, harbours and iron and steel plants.

"There will be ample ground for the expansion of loans extended to inland China by the Hong Kong banking sector," he said.

China plans to increase its presence in the local bond markets, said Mr Zhang, but because of the underdeveloped secondary market it would continue to rely more on the Tokyo, Singapore and Frankfurt markets to raise debt.

Profits more than doubled at FVB

By Jim Jones in Johannesburg

FEDERALE Volksbeleggings (FVB), the South African industrial and investment holding group, consolidated its profit recovery in the year to March.

Additional loss-making operations were sold or terminated during the year, which limited the growth in turnover to 14 per cent, at R2.45bn ($1.2bn)

Operating profit before interest and tax increased to R180m from R145.2m and pre-tax profits more than doubled to R129.7m from R55.1m. The attributable taxed profit was R49m against the previous year's loss of R4.3m.

The directors expect improvements in consumer spending will contribute to satisfactory earnings growth this year. Dividend distributions have been resumed with a single payment of 8 cents a share. The year's earnings were 38.4 cents a share against a deficit of 8.0 cents.

FVB is a subsidiary of Sanlam, South Africa's second largest insurance company.

Japanese insurers lift income

BY YOKO SHIBATA IN TOKYO

COMBINED PREMIUM income of Japan's seven leading life assurance companies for the year to March rose by 21.6 per cent to Y14,074.2bn ($97.5bn), a performance which was attributed to strong sales of single-premium and variable-life policies.

The largest increase, of 29.3 per cent, was recorded by Daiichi Mutual followed by 24.8 per cent for Sumitomo Mutual and 19.9 per cent for Nippon Life — the industry leader — and Meiji Life. Reflecting the low level of interest rates, the fall in yields on total assets of the seven was between 0.29 percentage points and 0.57 percentage points.

Affected by the sharp appreciation of the yen against the dollar, the insurers suffered a combined exchange loss of Y1,706.2bn in their holdings of foreign bonds and foreign currency-denominated deposits.

These losses broke down as follows: sales loss on assets Y412.9bn, evaluation loss on foreign securities Y542.2bn, and foreign exchange loss on non-yen deposits and loans Y751.1bn. The deficits were sufficiently covered by sales of securities. Japan's 23 life assures have suffered foreign exchange losses amounting to about Y3,000bn in the wake of the yen's appreciation since the autumn of 1985.

The Ministry of Finance instructed them to write off all of the year's exchange losses and those left over from the previous year against profits from their stock holdings, at the time when insurers chalked up a massive amount of unrealised profits because of the sharp stock market appreciation.

The yields on variable-life policies, marketed from last autumn, stayed high, ranging from Mitsui Life at 54.3 per cent to Meiji Mutual Life standing at 30.7 per cent.

● Nippon Life will dispatch 28 trainees soon to Shearson Lehman Brothers of the US, with which it arranged a capital tie-up in mid-April. The trainees will learn the securities business at the US investment bank for one to two years to prepare for Nippon Life's possible securities activities.

Nippon Life said Shearson has offered to accept up to 200 trainees.

In the wake of the agreement in April, Nippon Life and Shearson founded a joint venture for investment management in London.

JAPANESE LIFE ASSURERS
(Year to March 1987)

	Premium income Ybn	% change	Yield on assets %	Forex loss Ybn	Variable policy yield %
Nippon	3,950	+19.9	7.09	511.1	37.27
Daiichi	2,876	+29.3	7.38	365.8	42.18
Sumitomo	2,465	+24.8	7.49	304.4	44.54
Meiji	1,618	+19.9	6.62	174.3	30.70
Asahi	1,268	+15.7	7.22	178.4	34.25
Mitsui	1,012	+13.9	6.93	89.3	54.30
Yasuda	884	+18.9	7.15	83.0	32.93

AIBD BOND INDICES
WEEKLY EUROBOND GUIDE JUNE 12 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.525	−0.750	9.702	8.440
Australian Dollar	14.018	0.444	14.735	13.114
Canadian Dollar	10.430	−0.827	10.776	9.372
Euroguilder	6.141	0.033	6.250	5.804
Euro Currency Unit	8.527	−0.409	9.041	8.219
Yen	5.636	−0.880	6.578	5.218
Sterling	9.696	−1.132	11.609	9.443
Deutschemark	5.911	0.169	6.639	5.890

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Issues for IBM Canada and Prudential Funding

BY CLARE PEARSON

EUROBOND investors yesterday voted with their wallets for two popular North American borrowers, Prudential Funding Corporation and IBM Canada, even though overall demand for bonds in most Eurobond sectors was sluggish.

Both issues capitalised on a recent tentative re-emergence of European and especially Swiss interest in fixed rate Eurodollar and Canadian dollar paper.

As one dealer put it, "retail accounts are sniffing around the edges of the market for issues by names they know and like." They have traditionally favoured "household name" corporate borrowers.

Prudential Bache Capital Funding managed to launch its seven-year $125m issue for triple-A rated Prudential Funding as the US Treasury market was on a slight upswing. The 8¼ per cent issue, priced at 101¼ to provide an initial spread of 52 basis points over US Treasury bonds, traded comfortably within its 1⅞ per cent fees at around less 1.70 bid.

The magic of the familiar name also did the trick for Orion Royal Bank's C$100m five-year deal for IBM Canada, even though initially dealers thought that its pricing—a 9½ per cent coupon and 101¼ issue price—would prove too tight. In fact, the bond traded at around 99¼ bid, against 1⅞ per cent fees.

Late in the day a further issue emerged in the short-dated end of the Eurodollar market, where such borrowers as Ford Motor Credit and GMAC have recently arranged successful financings. Shorter-dated bonds are generally favoured by investors in an uncertain environment.

Yesterday's offering was a $100m three-year bond for Aegon, the Dutch insurance company, led by Goldman Sachs International. The 8¼ per cent bond, priced at 101, came too late in the day to trade actively.

INTERNATIONAL BONDS

Though recent issues signal that it is still possible to carry out a successful financing in the Eurodollar market, dealers see no overall revival of demand.

The bulk of investors are still staying on the sidelines, unconvinced that the worst is over for the US economy, and that the dollar will hold current levels for long. This is in spite of recent encouraging US trade data and official statements of support for the currency.

The Euroyen market is also in a directionless mood at the moment. In thin and volatile trading, dealers have pushed bond prices down by as much as 1½ points so far this week.

So most saw limited interest in a new Y50bn bond for Belgium yesterday, even though this too was pitched at the short-end of the maturity spectrum with a 1991 maturity.

Daiwa Europe led the 4¼ per cent deal, which was priced at 101⅛. It was supported yesterday at less 1⅞ bid, the level of its full fees.

West German markets were closed for a public holiday.

In the Swiss franc foreign bond market, turnover increased slightly yesterday although prices were broadly unchanged.

A SFr 135m 2⅞ per cent convertible issue for L. M. Ericsson closed its second day's trading at 99⅞ compared with a par issue price. A SFr 150m 15-year 5 per cent bond for Ireland closed at 97¼, compared with a par issue price, which was unchanged on its first day's trading on Tuesday.

Credit Suisse announced a SFr 100m 10-year issue for Tiroler Wasserkraftwerke, the Innsbruck-based electric power company. The bond is guaranteed by the Austrian state of Tyrol. The deal has an indicated 4⅞ per cent coupon, although final terms will be fixed on June 23.

Fletcher completes C$200m placing

FLETCHER CHALLENGE of New Zealand has completed a C$200m (US$149.1m) issue of shares which will be quoted on Canadian exchanges, Reuter reports from Wellington.

Sir Ronald Trotter, chairman of the forestry and rural services group, said its new Fletcher Challenge Canada unit had placed 8.51m shares at C$23.50. Each share is convertible to five ordinary shares in Fletcher Challenge and will be paid for in two equal instalments on June 23 and in November.

The exchangeable shares represent about 4.6 per cent of Fletcher's capital.

The issue incorporates a mechanism designed to ensure the shares stay in Canada. Each investor is entitled to a dividend equal to those payable on the underlying ordinary shares or a dividend of 5 per cent annually in Canadian currency, whichever is the greater, for the first three years.

At the end of that time shareholders can redeem the shares at the purchase price.

Lead manager Wood Gundy said private investors took about 55 per cent of the issue.

● Equiticorp Holdings has told shareholders it is not proceeding with a one-for-six rights issue announced earlier this year. It said shareholders would instead be able to buy shares in Capitalcorp, the company's Hong Kong-based unit, in a placement to be made mainly to Hong Kong and British institutional investors in mid-July.

The placement price was expected to be similar to the current Capitalcorp market price of HK$3.55.

of trading.

● Capital Markets, the New Zealand merchant bank, achieved net profits of NZ$32.79m (US$19.4m) for the year to March, its first full year

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅝	+0⅛	+1¼	8.97
A/S Eksportfinans 7⅝ 93	100	93½	94	+0¼	+1¼	8.92
A/S Eksportfinans 7¼ 92	150	95	95½	+0⅛	+1⅛	8.52
Austria 7⅞ 97	200	91½	92⅛	+0⅛	+1⅛	9.05
BP Capital 9⅛ 94	100	102¼	102¾	+0⅛	+2¼	8.61
British Telecom 7⅞ 96	250	90¾	91¼	+0⅛	+1½	9.09
Campbell Soup 10½ 95	100	107¼	107¾	+0¼	+1¼	9.15
Canada 9 96	1000	101⅝	102⅛	+0⅛	+2⅛	8.67
Canadian Pac. 10¾ 93	100	105¼	105¾	0	+0⅝	9.51
CCCE 7⅛ 91	113	95	95½	+0¼	+1¼	8.45
CNCA 7¼ 91	150	92¾	93⅝	+0¼	+1⅛	9.76
Citicorp 8¼ 93	200	101½	102	+0¼	+1¼	8.41
Credit Lyonnais 9 91	200	95⅛	95⅝	+0¼	+1⅛	8.57
Credit National 7⅞ 92	100	100	100½	+0⅛	−0¼	9.05
Credit National 9⅛ 93	150	95⅝	95⅞	+0⅛	+1⅛	8.44
Credit National 7¼ 91	150	92¾	93¼	−0⅛	+0⅞	9.85
Denmark Kingdom 7⅛ 92	500	98¼	98¾	+0¼	+1⅛	8.70
Denmark Kingdom 8¼ 91	300	98¼	98¾	+0¼	+1¼	8.70
EEC 7 91	100	95¼	95¾	+0⅛	+1⅞	8.22
EEC 8¼ 96	100	96⅛	96⅞	+0⅛	+2⅛	8.81
EEC 7¼ 93	250	94	94½	−0¼	+1½	8.55
EIB 7⅝ 93 A	100	94⅝	94⅞	+0¼	+1⅛	8.73
Finland 7⅞ 97	200	91⅛	91¾	+0⅛	+1⅛	9.23
Finland 7½ 93	200	94	94⅝	+0¼	+1⅛	8.75
Ford Motor Cred. 10½ 91	150	106¼	106¾	+0⅛	+1⅝	8.43
Ford Motor Cred. 11⅛ 90	300	106¼	106¾	+0¼	+0⅞	8.45
Gen. Elec. Cred. 10¼ 00	200	103⅞	103¾	+0½	+0¼	9.76
Hoesch 7⅞ 92	100	96½	97	+0⅛	+1¼	8.21
Hoesch 7⅞ 94	300	95⅛	95⅝	+0¼	+1⅝	8.80
Hoesch 8¼ 97	100	95⅛	95⅞	0	+1⅝	8.93
Liberty Mutual 8½ 96	150	95¼	96¼	0	+2	9.16
LTCB of Japan 8 91	100	97¾	98¼	+0¼	+1⅛	8.58
LTCB of Japan 8 97	200	93¼	93⅝	+0⅛	+2⅛	9.05
Mercds.-Benz Cred. 7½ 93	100	95⅝	95⅞	+0½	+1⅜	8.43
Mitsubishi Fin. 7⅞ 93	100	93⅛	94	+0¼	+1⅞	9.18
Mutual America 7⅞ 92	100	95¼	95¾	+0⅛	+1½	8.94
Norway Kingdom 7¼ 91	500	96	96½	+0⅛	+1⅞	8.34
Pepsico Inc. 7⅞ 93	200	94¼	94¾	+0⅛	+1⅝	8.60
Qantas Airways 10⅛ 95	140	105⅞	106¼	+0¼	+1⅞	9.26
Queensland Govt. 10¼ 95	100	105	105½	+0¼	+1⅝	10.25
Ralston Purina 11¾ 95	150	†107	109	+1	+0¼	10.21
Saab Scania 9½ 91	125	102⅝	103⅛	+0¼	+1⅛	8.53
Saskatchewan 10¼ 92	100	107¼	107¾	+0¼	+1⅛	8.72
State Bk. S. Aust. 9¼ 93	100	98⅝	99	+0⅛	−0⅝	9.55
Statoil 10 90	170	103½	104⅛	−0⅛	+0⅝	8.57
Swed. Exp. Cred. 7¼ 91	100	96	96½	+0¼	+2⅛	8.26
Swed. Exp. Cred. 10 92	100	106	106½	−0⅛	+1⅝	8.40
Sweden 8¾ 96	200	98⅞	99⅛	+0¼	+1½	8.89
Sweden 7 92	250	94¼	94¾	+0¼	+1	8.32
Sweden Kingdom 10⅞ 90	200	106⅝	107⅛	+0⅛	+0⅝	8.12
Sweden Kingdom 7 91	250	95⅛	95⅝	+0¼	+1⅝	8.23
Taiyo Finance 7¾ 94	100	92¾	93¼	+0⅝	+1⅞	9.19
Toyota Motor Cred. 8 89	100	101	101½	0	+1⅛	7.37
Toyota Mtr. Cred. 7⅛ 92	150	93⅝	94⅛	+0⅛	+1¼	8.78
Victorian Rep. 11⅝ 92	150	110¼	110¾	+0⅛	+1¼	8.86
World Bank 7 92	300	94⅞	95⅜	+0⅛	+1	8.30
Yasuda Trust Fin. 8½ 93	100	98	98½	+0¼	+1⅛	8.88

Average price change on day +0¼ on week +1⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	*109⅝	110⅛	0	−2½	6.28
Austrian Elec. Co. 6½ 95	150	*101½	102¼	0	−0⅝	6.20
BMW 5¾ 96	200	*92¼	93	0	−0⅝	6.36
Daimler Benz Int. 5¾ 02	500	*91¼	92	0	−0¼	6.69
Dow Chemical 5⅝ 96	300	*94⅝	95¼	0	−0⅝	6.40
Dow Chemical 6¾ 95	300	*102⅛	102⅞	0	−0½	6.43
EIB 5½ 98	150	*92½	93¼	0	−1⅝	6.43
EIB 6⅛ 96	300	*98⅞	99⅝	0	−0⅞	6.23
EIB 6⅞ 95	300	*103¾	104½	0	−0⅞	6.22
EIB 6 97	300	*97⅞	98⅝	0	−1	6.28
Euro. Coal & Steel 5⅞ 97	175	*96½	97⅛	0	−2⅛	6.31
Eurofima 6¼ 96	100	*99⅞	100⅝	0	−1	6.21
Ex.-Im. Bk. Korea 7⅞ 90	100	*104⅞	105¼	0	−0⅛	5.83
Finland-Republic 7 92	200	*105	105¾	0	−0⅝	5.62
Hoesch Intl. Fin. 7 95	100	*102⅝	103¼	0	+0⅛	6.54
Hydro Quebec 5½ 96	125	*95½	96¼	0	−1⅜	6.11
Hydro Quebec 6 16	150	*84⅝	85⅜	+0⅛	−0⅞	7.25
IADB 6 97	200	*96¾	97¼	0	−1⅜	6.42
IBJ 5⅝ 96	200	*95	96	0	−0⅝	6.30
Japan Finance 5¼ 97	100	*95⅜	96⅛	0	−1¼	6.35
Julius Baer Bank 2 94	150	*102	103	0	+0⅝	1.61
Korea Dev. Bank 6⅝ 93	100	*101½	102⅛	0	−0⅝	6.24
Mitsubishi M. 3⅛ 89 WW	100	*131½	132½	0	0	−7.88
Mitsubishi M. 3⅛ 89 XW	100	*96⅝	97⅜	0	+0¼	4.40
Renfe 7¼ 95	100	*107	108	0	−0⅞	6.50
Soc. Cent. Nuclear 7¼ 95	150	*103	103¾	0	−0¼	6.69
Soc. Cent. Nuclear 8 91	100	*105⅞	106⅝	0	−0⅝	6.20
Seaweag 5½ 96	100	*95⅛	95⅞	0	0	6.17
Tokyo Elec. Power 6 97	300	*97⅛	98⅛	0	−1½	6.31
World Bank 5⅞ 97	700	*97	97⅝	0	−1⅜	6.26
Yorkshire Intl. 6¼ 01	200	*92¼	93	0	−0⅝	7.10

Average price change on day 0 on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	*†102½	103½	0	+0½	5.20
Amer. Corpn. 5¼ 01	200	*†94	94¾	0	−0¼	5.88
Baker Int. 4⅞ 96	200	*†88	89	0	−0⅝	5.80
Carlsberg 5 96	80	*†102½	103½	0	+0⅝	4.59
Chujitsuya 5¼ 94	50	*†103	103½	0	−0⅝	4.82
Deutsche Bk. Fin. 5⅛ 95	100	*†105¾	106	0	−0¼	4.44
EIB 4⅝ 97	200	*†98¾	99	0	0	4.77
Glendale F. S. & L. 5½ 95	100	*†101¾	102¼	0	−0¼	5.19
Humana 5⅛ 98	120	*†98¾	99¼	0	−0¼	5.25
Industrial Credit 5¼ 96	75	*†99½	99¾	0	−0¼	5.80
Japan Dev. Bk. 5⅛ 97	100	*†102¼	102½	0	+0¼	4.82
Oberös. Ktwk. 5⅛ 95	100	*†103	103½	0	+0½	4.65
Olivetti Intl. 5½ 95	100	*†103½	104½	0	0	4.89
Pepsico 5¼ 95	130	*†104½	105½	0	−0⅞	4.47
Prov. of Manitoba 4¾ 94	200	*†102½	103	0	0	4.31
Ralston Purina 5⅛ 94	125	*†103¼	103½	0	+0⅛	4.82
Settsu Euro. 0 01	100	*†47	47¾	0	+0¼	5.59
Tohoku Elec. Pwr. 4⅞ 96	150	*†99¾	100	0	−0¼	4.89
USX Corpn. 5⅞ 98	100	*†97½	98	0	−0⅞	6.83
World Bank 5¼ 94	150	*†103½	103¾	0	0	4.83

Average price change on day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Credit National 4⅞ 92	15	98¾	99¼	−0⅝	−0⅛	4.61
Denmark, Kingdom 5⅛ 92	130	101¼	101⅝	0	−0⅛	4.75
EIB 4⅝ 94	40	98⅝	99⅛	−0½	−0⅝	4.82
Elec. de France 5⅛ 94	20	101¼	101¾	−0½	−1¼	4.86
Kansai Electric 4⅝ 94	60	98⅝	99⅛	−0¼	−0⅛	4.82
Kingdom Belgium 4⅝ 94	45	98⅝	98⅞	−0¼	−0⅞	4.88
Norway 4¼ 92	60	97⅝	97⅞	−0¼	−0⅛	4.78
SNCF 4⅞ 93	20	99⅝	100⅛	−0¼	−0⅞	4.85
Sweden, Kingdom 5⅝ 95	20	104⅝	105⅛	−0⅛	−1⅛	4.89

Average price change on day −0¼ on week −0⅝

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	102½	103½	+0⅛	+0¼	12.91
Bergen Bank 15 90 A$	50	102¾	103¾	+0⅛	+0⅛	13.61
BHF Bank 14⅝ 92 A$	40	102⅝	103⅝	+0¼	+0¼	13.59
DG Finance 14⅞ 92 A$	50	106⅛	107⅛	+0⅛	+0½	12.44
Deutsche Bk. 14¼ 92 A$	100	104⅝	105⅝	+0⅛	−0⅛	12.76
Deutsche Bk. 14½ 92 A$	150	105⅜	106⅜	+0⅛	+0¼	12.76
Montedison F. 15½ 90 A$	50	102¼	103¼	+0⅛	−0⅛	14.17
World Bank 14⅛ 92 A$	100	103	104	+0⅛	+0¼	13.03
Canadian Pac. 10⅝ 90 C$	75	†101½	102	+0⅛	+2⅞	9.69
Chrysler Corpn. 10 91 C$	75	99	99⅝	+0⅛	+2⅞	9.51
Genstar Fin. 11¾ 95 C$	75	†103⅜	104⅛	−0⅛	+0⅛	10.99
GMAC 9¼ 92 C$	75	99½	99⅞	−0⅛	+4⅛	9.34
Royal Trustco 10⅛ 90 C$	75	101¼	102¼	0	+2⅝	9.63
Sears Acc. 10⅞ 92 C$	75	†101⅞	101⅞	0	+0½	10.38
Coca-Cola F. C. 17 90 NZ$	75	100½	101½	0	+0¼	16.48
Denmark 7⅞ 92 Ecu	100	99⅞	100¼	0	+0⅝	7.73
EIB 7⅝ 91 Ecu	100	99⅞	100⅜	+0⅛	−0⅛	7.32
Euratom 7⅞ 97 Ecu	145	95¼	96¼	+0⅛	−0¼	7.97
New Zealand 7¼ 93 Ecu	200	98⅝	99¼	+0⅛	−0⅛	7.99
SDR 7¾ 95 Ecu	90	98½	99	+0⅛	+0⅛	7.96
Finland 6 91 Fl	100	100¼	100¾	+0⅛	+0⅛	5.86
Mort. Bk. Denmark 6 91 Fl	150	98¾	99⅝	+0⅛	+0⅛	6.25
Thyssen 7¼ 90 Fl	50	102½	103	0	+0⅛	6.26
Wessanen 6¾ 90 Fl	50	102⅝	102⅝	+0⅛	0	5.92
American Brand 9½ 94 £	50	101¼	101⅝	−0¼	+0½	9.20
Amer. Express OC 10 94 £	40	†104½	105	+0¼	−0⅛	9.02
Deutsche Bank 9⅞ 97 £	75	102⅝	102⅞	+0⅛	0	9.44
GMAC 9 92 £	50	98¾	99¼	0	+0½	9.26
Halifax Bld. Soc. 10⅛ 97 £	100	103⅝	104	+0¼	+0⅛	9.76
Imp. Chem. Inds. 10 03 £	100	†104⅞	105⅜	+0¼	−0⅛	9.36
Imp. Chm. Inds. 10⅞ 92 £	75	104⅝	104⅝	+0¼	+0⅛	9.62
Invst. in Inds. Int. 10 93 £	60	101⅞	102⅜	−0¼	−0⅛	9.49
Land Securities 9½ 07 £	200	†92¼	92⅝	0	−0¼	10.40
Leeds Bldg. Soc. 10½ 91 £	50	102⅝	102⅞	0	+0⅛	9.41
Nationwide BS 10⅛ 93 £	75	102⅛	102⅝	0	+0⅛	9.56
NSW Treasury 10⅝ 92 £	50	104⅝	105⅛	−0¼	−0⅞	9.41
Royal Insce. 10¾ 92 £	60	†106⅝	107⅛	+0¼	−0⅛	9.01
J. Sainsbury 10⅞ 93 £	60	105⅝	106	0	+0¼	9.50
Trusthouse Forte 11⅛ 90 £	50	104⅜	104¾	0	+0⅛	9.20
World Bank 11¼ 95 £	100	110⅝	111⅛	−0¼	+0½	9.25
CoE 8⅞ 95 LFr	600	104⅝	105⅜	0	−1⅛	8.04
EIB 8⅝ 93 LFr	1000	†104	105	+0⅝	+0⅝	7.60

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	0.0312	99.97	100.6	11/06	6.14
Alliance & Leic. Bldg. 94 £	0.08	99.16	99.21	20/04	9.09
Belgium, Kingdom of 91	0	100.05	100.15	29/02	6.69
Britannia 5 93 £	0⅛	99.50	99.55	8/04	10.06
Chase Manhattan Corpn. 91	0⅛	99.03	99.12	20/08	6.56
Citicorp 98	0¼	97.52	97.72	27/02	6.63
Credit Lyonnais 5 00	0⅛	†98.58	98.68	13/07	6.19
EEC 3 92 DM	0	100.38	100.45	20/02	4.19
EEC 5¼ 93 Ecu	0.0312	†99.85	99.95	30/01	7.18
Halifax Bldg. Soc. £ 94	0.1	99.25	99.30	6/05	8.97
Midland Bank 01 £	0.1	96.03	96.13	9/05	8.91
Milk Mrktg. Board 5 93 £	0⅛	99.22	99.27	30/03	10.00
New Zealand 5 97 £	0.07	98.77	98.87	16/05	11.00
New Zealand 5 01	0	98.95	99.05	4/08	6.31
Shearson Lehman Hldgs. 91	0⅛	99.05	99.22	6/05	7¼
United Kingdom 5 92	0	99.92	99.98	7/04	6.32
Woodside Fin. 5¼ 97	0	99.29	99.39	20/04	7.06
Woolwich 5 95 £	0⅛	99.23	99.28	19/05	10.62

Average price change on day +0.12 on week +0.03

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5 92 DM	12/83	472	†148½	149⅝	0	4.34
Minolta Camera 2¼ 94 DM	2/86	1105	*96⅞	97⅞	0	53.92
Ashikaga Bank 2⅛ 02	4/87	996	126	127	−1⅛	−3.22
Chiba Bank 2⅞ 02	1/87	830	234	235½	−3⅛	3.06
Fuji Bank 2¼ 00	10/85	1623	†399	400	+5	−0.71
Fuji Heavy Industries 3 00	8/85	676	133¼	134½	+2¼	0.21
Fujitsu 3 99	5/84	1109	155¼	156½	+0¼	0.81
Gunma Bank 2⅛ 02	4/87	888	149⅝	150⅝	+0¼	−1.18
Mitsubishi Bank 2⅞ 00	8/85	1715	†396	397	+12	1.09
Mitsubishi Trust 2½ 01	5/86	1600	†391	392	+3	−5.62
Mitsui Trust 2⅞ 02	10/86	1990	181⅝	183⅞	−0⅛	4.51
Murata 3½ 00	7/84	1998	208	210	−3½	−1.42
Nippon Elec. 2⅞ 00	1/85	1295	255½	256½	−1⅛	144.15
Nippon Oil Co. 3 00	5/85	923	†241	242	−1	−5.22
OKI Elec. Ind. 3½ 99	10/84	805	155½	157	−0¼	−0.57
Omron Tateisi 2⅞ 02	4/87	1350	115⅝	116⅝	−1½	−3.35
Sanwa Bank 2¼ 00	10/85	1442	*†394	395	0	1.14
Sumitomo Bank 2¾ 00	8/85	2142	†370	371	−2	−0.17
Toshiba Ceramics 3 00	4/85	1734	150¼	152	+0¼	8.51
Nippon Oil Co. 2⅛ 92 SFr	3/84	1001	*†146	147	0	−2.61
Yokohama Bank of 2⅞ 01	10/86	1045	218⅝	222⅝	+5	1.86

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Japanese seek curbs on insider trading

By Peter Bruce in Tokyo

THE TOKYO and Osaka stock exchanges, and the Association of Japan, joined forces yesterday to call for tougher controls on insider trading in Japan.

The move is thought to be an attempt to head off complaints that US securities dealers and investors are being disadvantaged by insider trading, which many foreign brokers believe is common in Japan.

US brokers in Tokyo have apparently warned the Japanese authorities that Congress has become absorbed with the insider trading issue. The implicit threat is that Japanese securities houses doing business in the US might be penalised because of their business practices at home.

A notice sent yesterday by the two stock exchanges and the dealers' association to brokers and listed and unlisted securities firms warns that insider trading might cause a loss of confidence in the markets.

It urges members to require directors and large shareholders to return any profits they have made on margin trading. The dealers' association is also going to instruct its members to draw up rules to combat insider trading by September 1. ...

The association wants brokers to begin registering the names of executives, their immediate family and holders of large blocks of brokerage firms who trade in shares.

Japanese brokers insist, however, that insider trading is not the problem in Tokyo that it appears to have become in New York and, to a lesser extent, in London. "We don't have as many mergers and acquisitions here," said an executive at Nomura, the world's biggest securities house.

He said Japanese businesses often had rules governing share dealings by their directors or employees. Nomura employees, for instance, are not allowed to sell shares until six months after they buy them.

Nevertheless, a report published by Paribas Tokyo last year noted that the climate for mergers and acquisitions in Japan has improved markedly in the past few years.

The report said mergers now averaged 1,000 a year and that the number of foreign takeovers in Japan were also rising. There were 15 acquisitions by foreign companies between 1981 and 1984 and only five between 1978 and 1980.

Chinese bank in Standard Chartered link

By Colina MacDougall

THE PEOPLE'S Construction Bank of China and Standard Chartered Bank will today sign a memorandum of agreement in London providing for the mutual expansion of one another's business. While it is not unusual for Chinese organisations to sign such pacts with foreign companies, this comes in the wake of the resolution last week of the long-standing issue of the unredeemed pre-Communist Chinese government bonds on the London market.

Chinese organisations have already issued bonds in Japan, Singapore and West Germany and clearly intend broadening their borrowing. London banks are eagerly wooing the Chinese in the hope of participaing in the new business.

People's Construction Bank may now open an office in London which would enable it to raise funds abroad to help the financing of projects in China. The bank's main function within the People's Republic is to channel funds allocated under the budget to Chinese enterprises and to raise money for projects outside the state plan.

The six-strong delegation, the first from the Construction Bank to visit Britain, is led by Mr Zhou Hanrong, vice-president of the bank, who is also vice-chairman of the China Investment Bank. Under the sponsorship of Standard Chartered, the visit to London has included meetings with senior executives from large British projects, such as the Channel Tunnel and the London Docklands development, to examine Western methods of financing.

Standard Chartered's 130-year-old business in China has expanded considerably in recent years, with branches in Shanghai and the special economic zones of Xiamen and Shenzhen. A further branch is planned at Zhuhai, near Macao, and the bank maintains representative offices in Peking and two other Chinese cities.

Stephen Fidler reports on a C$450m share offering

Energy revival spurs Gulf Canada

Mr Paul Reichmann: magisterial reputation.

WITH MUCH of the deep gloom lifting from North American oil production companies as oil prices rise, interest in energy stocks is reviving among many investors. Yet opportunities in the sector have been substantially restricted in both the US and Canada by stock buy-backs and takeovers.

In Canada, for example, energy stocks on the Toronto Stock Exchange in 1981 accounted for 25 per cent of market capitalisation. Six years later, that figure had shrunk to a mere 9 per cent. One company, Imperial Oil, makes up 2 per cent of the market.

The pendulum has already started to swing the other way. In recent months, an estimated C$1.5bn (US$1.12bn) of shares and convertible bonds have been issued by Canadian oil companies. But while names like Poco Petroleum and Bow Valley Resources may be well recognised in Canada, they do little to quicken the pulse of international investors.

Now, Gulf Canada Corporation is splitting up into three parts, and selling new shares in a company called Gulf Canada Resources, formed of its upstream oil and gas businesses. That sale, of 19m shares to raise about C$450m, is expected to arouse substanital interest among investors around the world.

Mr Marshall Cohen, a widely respected former deputy finance minister who is now chairman of Gulf Canada Resources, has been visiting Europe, Japan and the United States to support the offering. He thinks his company has a good story to tell.

Conscious that the market would have little appetite for another debt-ridden Canadian oil company, Gulf Canada Resources has been stripped of much of its debt. All that is left is around C$400m of long-term notes. Its debt net of cash is C$114m.

In the background is a favourable regulatory environment. As oil prices have fallen, the federal government has eliminated its petroleum and gas revenue tax. Favourable income tax treatment and royalty holidays have also helped.

In January, Gulf Canada announced it would resume development in its Amauligak field in the Beaufort Sea, off Canada's Arctic coast. Seasonal production, it said, was expected to start next year, with full production, expected to exceed 100,000 barrels per day, forecast for the early 1990s.

Apart from Amauligak and its other frontier properties and a 25 per cent interest in the Hibernia field, off the country's eastern seaboard, the company's main interests are still in Western Canada, where production has been dropping in recent years.

Cash flow for 1986 (as if Gulf Canada Resources existed as envisaged after the reorganisation) was C$358m, or C$2.40 a share. If the shares are offered at C$24 each, that is ten times cash flow, compared with the norm for the Canadian market of about seven times.

The dividend has been set at C$0.40, giving a 1.7 per cent yield on a C$24 share price.

Average oil prices have risen since last year. Every dollar rise in the price of a barrel of oil yields an extra C$30m in cash flow. An average realisation of US$18 per barrel thus suggests a C$90m improvement this year on 1986 cash flow.

Even so, the share still looks expensive for a company whose major prospects for the 1990s lie in the inhospitable Arctic, from which transportation is clearly undeveloped, hazardous and expensive.

The reason that investors might consider it, apart possibly from faith in rising oil prices in the 1990s, lies in Gulf Canada's ownership.

The Reichman brothers, Albert Paul and Ralph, owned 78.6 per cent of Gulf Canada Corporation and its constituent parts. After the new shares in Gulf Canada Resources are sold (the Reichmans are selling none), they will still own 68 per cent.

The brothers, devout orthodox Jews who went to Canada in the 1950s from Austria via North Africa, have developed a magisterial reputation in Canada for taking the contrarian view and getting it right.

Owners of Olympia and York, the Canadian real estate concern, the Reichmanns were buying up office buildings in Manhattan in the mid1970s when most of their competitors had taken fright at New York City's financial plight.

"It's a matter of looking at how the Reichmanns might fit all these companies together," said an analyst who follows the company.

The other two parts of Gulf Canada Corporation to be spun off are Abitibi, the paper and forest products company, and GW Utilities, which will include Gulf Canada's 49 per cent interest in Hiram Walker, the liquor company, its 83 per cent stake in the Consumers Gas Company, and — most importantly here — a 41 per cent stake in Interprovincial Pipe Line (IPL).

Some experts think the economics of extending a pipeline to the Amauligak could be much improved if this IPL pipeline were to be extended northward. The pipeline already reaches to the Norman Wells, producing 25,000 b/d on the MacKenzie River. A next step could be its extension to the shallow Beaufort, where a number of developments are in prospect, and from there to the deep Beaufort and Amauligak.

Chicago exchange to start Sunday evening sessions

THE BOARD of directors of the Chicago Board of Trade has voted to add a 7 pm to 10 pm New York time Sunday evening (11 pm GMT Sunday to 2 am Monday) session from September 13, reports AP-DJ from New York.

Evening trading at the country's largest futures exchange began on April 30 and currently runs from 7 pm to 10 pm Monday to Thursday.

The exchange decided to add the Sunday session at the urging of member firms, which wanted the CBT trading in financial futures to correspond with the opening of Monday morning cash bond trading in Japan, the exchange said.

"This is clearly a member firm and market-dsiven decision," said Mr Karsten Mahlmann, exchange chairman.

"Many CBT member firms have been encouraging us to proceed with the Sunday night session since the success of the night sessions became apparent," he added. "Monday morning in Japan is the busiest trading period of the week in that part of the world, and our night session is geared to the needs of the Far Eastern market users."

Volume during the evening sessions has been better than expected, the exchange said, noting that it has averaged about 15,000 per session.

BIGGER CUSTOMER BASE AND BAD WEATHER BOOST PROFITS

British Gas surges past £100bn

BY MAX WILKINSON, RESOURCES EDITOR

British Gas yesterday announced a pre-tax profit of £1.06bn on a current cost accounting basis in the first anual result since it became a private company in December. It declared a dividend of 4p per share.

Because only four months of the financial year remained when the company was privatised, this will be the only dividend for the year.

On a current cost basis, net earnings of £575m (£806m on an historic cost basis) for the year to end March were equivalent to 13.9p per share (or 19.4p per share on historic costs).

The current cost operating profit of £1.01bn represented a 46 per cent increase on the figure for 1986 or a 65 per cent increase when adjusted for the servicing of the £2.5bn of debt which the Government loaded onto the company when it was privatised.

This increase in profit was achieved in spite of a 1 per cent fall in turnover compared with the 1986 figure to £7.61bn. The fall in sales reflected increased competition from oil after the fall in crude prices.

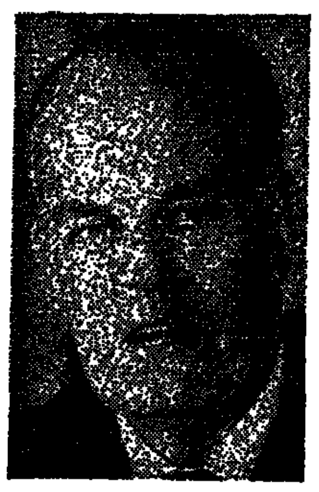
However, the fall in oil prices also reduced the cost of British Gas's purchases from North Sea fields, since gas prices are linked by complicated formulae to the price of crude and oil products.

The fall in gas costs also resulted in a £71m favourable adjustment to working capital on a current cost basis while the historic cost operating profit improvement was £238m to a 1987 figure of £1.24bn.

This improvement reflected the £394m fall in operating costs, partly because of a reduction in the payroll by 3,500 or 4 per cent, but mainly because of the lower cost of gas supplies.

The average cost of gas fell 11 per cent compared with the 1986 price to 16p per therm. This reduction followed a rising trend in previous years.

Although British Gas was forced to reduce its prices sharply in the industrial market, prices for domestic consumers were not much changed.



Sir Denis Rooke, chairman of British Gas

Capital expenditure of £363m reflected reduced spending on offshore projects, but tax rose by £107m, largely because of increased profit but also because of lower capital allowances.

The total volume of gas sold was 18.9bn therms which was 1 per cent higher than in 1986. Sales volume in the commercial sector rose by 8 per cent and sales to the domestic market rose by 3 per cent.

These increases were offset by a 6 per cent reduction in the industrial market where competition from oil is strongest.

British Gas's total number of customers rose by 250,000 to just over 17m. Its results were helped by this increase in its customer base and also by the severe weather in the early part of the year, which was estimated to have increased sales by 400m therms or 2 per cent of the total volume of sales.

The corporation was able to generate net funds of £131m after paying off £750m of the Government's debt.

Additions to fixed assets during the year amounted to £363m compared with £571m last year. Total funds generated by the business were £1.51bn, up 17 per cent compared with the figure for 1986.

See Lex

PFPUT fights to fend off Trafalgar

By Paul Cheeseright, Property Correspondent

THE Pension Fund Property Unit Trust yesterday was trying to fend off an increased offer for its property portfolio from Trafalgar House, the shopping, property and construction group.

Trafalgar House has lifted its offer from £2.343 a unit, or £187.7m for the portfolio, made last month, to £2,500 a unit, or £200m for the portfolio.

After the rejection of its initial bid by the trust's committee of management, Trafalgar House not only lifted its offer but sought to circumvent the committee by placing its terms before individual unitholders, of which there are more than 400, holding some 80,000 units.

Mr Cecil Baker, the Trust chairman, has written to the unitholders, urging them to take no action and reminding them of the potential growth in value of the Trust's property portfolio.

The moves by each side signify that a takeover battle outside the normal rules is taking place.

Under the regulations covering the property unit trusts, the units can only be held by pension funds and charities. Trafalgar House cannot therefore buy out the Trust although it can buy the Trust's assets.

What the company is seeking is an agreement from unitholders with 10 per cent of the Trust's units to call an extraordinary general meeting. At that meeting there would be a motion calling for the liquidation of the Trust's assets. That is, an agreement to sell them to Trafalgar House.

But Trafalgar House cannot achieve that without the support of unit holders possessing 75 per cent of the units. So the attempt to gain control of the portfolio could last for months.

The Trust had its properties revalued after the initial bid, so that their total value now stands at £204.5m, fractionally above the Trafalgar House offer.

The effect was to raise the bid and offer price for the Trust's units for June to, respectively, £2,385 and £2,625. Trafalgar House's unit price is thus roughly in the middle.

But the units can only change hands on a matched trading basis. Phillips and Drew, the City stockbrokers, run a secondary market, where matched bargains change hands generally at a discount.

Property unit trusts as a group have had to cope with the problem of redemptions as pension funds have switched out of property and into other assets, notably equities. The Pension Fund Property Unit Trust has been no exception. This has left them, and it, more vulnerable to bids for their assets.

Magnet & Southerns rises to £44m and plans £71m rights

BY TERRY POVEY

Magnet & Southerns, the home refurbishment and building industry materials manufacturer and retailer, yesterday announced plans to raise £71m through an issue of convertible preference shares along with pre-tax profits ahead more than two-thirds to £44.4m for the year to March.

Mr Gordon Brown, Magnet's finance director, said the share issue had been made in order to enable the company to proceed with it smegastore expansion plans.

He explained that while net debt was £42.6m, 22 per cent of shareholders funds in March, this year's planned capital expenditure of £70m could not be contained within cash flow from operations.

The rights issue has been made in the for mof 73m convertible preference on a two-for-five basis "so as to protect ordinary share holders from dilution and to appeal to institutions keen on better yielding stocks," said Mr Brown. The new shares are convertible from September 1988, the conversion price is 416.7p and the fixed dividend 5.625p per share per annum.

Magnet's preliminary results announced along with the rights issue show operating profits of £46.23m (£27.44m) being made on a turnover of £319m (£248m). After net interest paid of £2.06m (£1.39m), pretax profis were ahead £18.79m, almost 70 per cent, from last year's level.

After taxes paid of £15.3m (£9.75m) and an extraordinary debit of £1.24m (debit of £266,000) and the payment of £11m (£9.5m) for dividends, retained profits were £16.63m (£6.54m). The final payout was 3.8p (3.2p) a share, taking the total for the year to 6p (5.2p) on earnings of 15.8p (9p).

● comment

The City has long held two very distinct views about Magnet (as the group will soon be renamed) and the rights issue, even though its diluting impact has been softened by a one-year delay, has brought these very much to the forefront again. Tom Duxbury's crusade to shift from the warehouse of not so long ago to the glossier retail-oriented operation of today, while holding on to the manufacturing base (70 per cent of goods sold are own manufacture), has often been seen as a risky venture. Now Magnet is entering the third phase of its development programme, the megastores, and the selling versus storage space formula is being sharply skewed in favour of the shop front. Increasingly Magnet's largest stores will be shopwindows for goods that will be delivered direct to customers from central depots. The sceptics argue that the group should be able to handle its spending programme — which could total £110m over two years—without appealing to the market for funds and have therefore put out sell recommendations. However, they may not be aware that Magnet is test marketing its formula in the US and, if this succeeds, it wants to be free to move fast in this new market. This year £70m is on the cards which puts the shares, down 19p at 350p, on a fully diluted mutiple of 15.

LIT profits boosted by UK futures and options

By Philip Coggan

London Investment Trust, the futures and options broker and clearer, yesterday announced preliminary pre-tax profits above expectations despite the adverse effect of the dollar. The group produces around half its profits in the US.

Exchange rates knocked £250,000 off pre-tax profits although they were still 26.7 per cent higher at £6.02m than the previous year's £4.75m.

The major part of the increase was achieved by Bailey Shatkin, the group's UK futures and options broker, which more than doubled its profits to £1.9m. Shatkin, the US broking arm, also increased profits to £2.3m, after a drop in the previous year, as a shake-out in the market reduced pressure on commissions.

Rialcor Shatkin, the US securities clearing arm acquired in 1984, increased profits to £600,000. The only division to suffer a setback was the head office corporate finance activities where profits fell from £1.375m to £1.22m.

Earlier this month, Mr Paul Dupee, an American businessman, announced he had built up a 19.1 per cent stake in the group. His holding is seen as friendly and he has now joined the board as a non-executive director.

Turnover for the year was £42.76m, up from £35.29m in the previous year. After tax of £2.35m (£1.78m), earnings per share were 4.04p (3.30p). The final dividend is being set at 0.96p (0.829p) making a total of 1.5p (1.298p).

Mr John Arthur, the group's chairman, said that business had started extremely well in the current year and that he expected the company should make substantial progress.

● comment

London Investment Trust by any other name would smell a lot sweeter. The business of futures and options broking is a long way from the investment trust world of net asset values and discounts and the share price performance seems to have reflected the market's confusion. A change in nomenclature might allow investors to appreciate how quickly the futures and options markets are growing. Now that the commission war seems to be over, LIT's earnings should be of rather better quality—brokers, since they don't take positions, should not be saddled with the speculative tag usually attached to the futures markets. Around £8m looks feasible this year, which puts the shares at 74p, on a prospective p/e of only 13. With the extra spice added by Mr Dupee's stake, that rating looks pretty undemanding.

RHM in £16m US acquisition

By Nikki Tait

Ranks Hovis McDougall, the flour milling and baking group which won a £281m bid for Avana in April, yesterday returned to the acquisition trail with a $26m (£15.9m) cash purchase of National Preserve Company) Carriage House Foods) in San Jose, California.

Ranks says the privately-owned business, which has annual sales of $50m and makes/distributes preserves, jellies and peanut butter will complement its existing jam interests in the States and give it a geopraphical spread from the eastern states through the mid-West to California.

RHM's cash position was strengthened by the sale of its pasta interests in the States for $58.5m in cash last November. At the time, the group said it felt the proceeds could be used more profitably in developing other businesses.

RHM shares, meanwhile, gained another 3½p to 326p yesterday. Speculation that Australian group, Goodman Fielder, was either increasing its 15 per cent stake or planning to bid has been rife recently. However, Ranks said it has had no recent contact with the company, and had not seen any changes in its share register to date which suggested further stake-building.

Expansion in food services gives Salvesen £42m for year

IN SPITE of setbacks in the oil related activities, the Christan Salvesen group lifted its pre-tax profit from £38.78m to £41.98m in the year ended March 31 1987.

Without those setbacks the group would have achieved its expected growth, said Sir Gerald Elliot, chairman. That showed the robustness and underlying growth of the main activities, particularly Food Services Europe, which was 30 per cent ahead of last year.

The year saw the sale of the housebuilding and seafoods divisions—their contribution to profit was £5.3m (£6.6m) and £100,000 (£900,000), Group turnover was £204.83m (£295m).

Sir Gerald said although the disposals initially left a £35m cash holding, he believed that could be applied to investment which would give better returns and prospects. The potential was already shown by the continued high investment of £56m this year.

The budget for the current year showed further growth, and he expected profits would be higher. The main businesses were sound and expanding, and Sir Gerald expressed confidence that the current level of investment would bear fruit in future.

From this year the company will be changing its policy on the accounting treatment of cold stores. Instead of depreciating them at 10 per cent per annum for seven years and then at 1 per cent a year for the next 50, they will be depreciated at 4 per cent per annum for 15 years and then at 2 per cent for the next 20.

Had the new policy been applied last year, profits would have been greater by £3m.

In the year food services gave a strong performance, helped by a good vegetable season and the movement of France into profit — the division's trading profit was £20.3m (£15.6m).

Merchants Refrigeration in the US also went ahead strongly with acquisitions contributing their share to the £5.9m (£4.7m) profit. Results, however, were dampened by the weakness of the exchange rate.

Industrial services accounted for £8.1m (£7.4m) and marine £1.1m (£2.2m).

International split of the trading profit was roughly 75 per cent UK, 15 per cent US, and 10 per cent mainland Europe. That gave exposure to fluctuating exchange rates but the impact had been reduced by borrowing in the countries concerned.

Extraordinary gains were nearly £2m. That included £4.9m capital profit on the housebuilding sale, less costs involved in selling that and seafoods, as well as various other discontinuance costs.

Earnings for the year came to 9.72p (8.72p) per share and the final dividend is 2.25p for net total of 3.625p (3.25p).

● comment

Christian Salvesen has been a disappointment to the market since it joined two years ago — the shares have underperformed since being offered at 115p and closed last night at 172p. The shift out of house building, whilst seen as sensible strategically, has slowed profits growth. However, the quality of distribution earnings has not been strained, as the 18 per cent growth in the continuing businesses shows, and Salvesen has invested heavily with a view to ensuring its long term growth. Finance director Brian Fidler's accounting policy change is no ruse but a reflection of the company's previous ultra-conservative stance — it should add just over £3m to the pre-tax level this year. With the help of continued growth in distribution and the interest income from the disposals, pre-tax profits should hit £50m this year. Fears about the weather's effect on the pea harvest might stop the prospective p/e from being re-rated from its current 14.5 but in the longer term, widows and orphans might find the rating attractive for a good quality stock.

Airsprung rises to £1.8m

Airsprung Group, manufacturer of beds and related products, raised its profits from £1.62m to £1.77m pre-tax over the year to March 31 1987. Turnover edged ahead from £24.17m to £24.58m.

The profits were struck after deducting interest charges of £58,000 (£151,000) and paying £26,000 (£49,000) into the employee profit-sharing scheme. Last time there was a £37,000 contribution from the associate.

A final dividend of 3p makes a total of 5.9p. Earnings worked through at 18.6p (16p). The company joined the USM a year ago and the £52,000 costs of the flotation were taken below the line as an extraordinary provision.

The directors described the results as satisfactory but pointed out that they would have been better had poor weather not affected the retail sector's January sales period.

Development costs slow Carroll Industries growth

BY HUGH CARNEGY IN DUBLIN

Carroll Industries, the Irish cigarette maker, yesterday reported an 8 per cent drop in pre-tax profits to I£5.67m (£5.08m) in the six months to March 31 1987.

The company said substantial costs associated with developing new businesses had affected the results, but that established trading divisions showed good returns and had generated strong cash flow.

Earnings per share were down 4 per cent to 6.7p (7p). The interim dividend was unchanged at 2.8p.

Outturn for the whole year was expected to be in line with last year's pre-tax profits of I£13.03m, excluding an exceptional charge for rationalisation planned later this year in the tobacco division to resolve problems posed by the declining domestic market and the loss of exports to the Middle East.

Carroll said cigarette volume sales in Ireland, where it has the three top brands, were slightly ahead of target in the first six months despite a 3 per cent decline in the domestic market.

Plans were well advanced for entry into Direct Response Marketing in the US

US Debenture unitisation scheme goes through

BY NIKKI TAIT

Stockholders of United States Debenture Corporation yesterday approved the partial unitisation scheme put forward for the large general investment trust. This follows a decision by stockholders last March to change the fund's status, despite strong opposition from the board.

However, enough stockholders have opted to have shares in a new investment trust —New USDC—to make this viable. The new trust, the proposals said, would only be possible if sufficient support justified it having assets of £30m.

Under the partial unitisation, stockholders were offered shares in New USDC or units in two unit trusts run by GT.

A special dividend of 3.75p per stock unit will be paid to those registered on June 9. A further extraordinary meeting will be held on June 26 to approve the winding-up of the trust, prior to the unitisation.

Equity & General doubled

From turnover ahead 11 per cent to £24.67m, Equity & General has almost doubled its profit.

The pre-tax figure of this financial services and motor dealing group advanced 97 per cent, from £405,000 to £799,000 in 1986.

Earnings were shown at 3.43p (1.74p) before and at 2.57p (1.07p) after tax of £199,000 (£155,000). The dividend is 0.75p for a net total of 1.05p (0.9p) absorbing £245,000 (£210,000).

Oxford Instruments rises 7%

BY STEVEN BUTLER

Oxford Instruments yesterday announced a sluggish 6.7 per cent growth in pre-tax profits to £19.65m following a warning last November that the market for its magnetic resonance instruments was becoming saturated.

Sales and profits in other areas, however, performed better, according to the company, pushing profits contribution from activities outside diagnostic imaging to more than 50 per cent.

Sales were off slightly at £99.99m, with £94.6m of sales outside the UK. UK exports increased from 69.2m to £64.6m.

The 1986 figures are restated to account for the acquisition of the BOC Group's share in Oxford Superconducting Technology, and thus differ from those reported a year earlier.

Earnings per share rose from 23.0p to 27.4p, and a full year dividend was declared of 2.4p per share, up from 1.8p last year. Mr Barrie Marson, chairman, said the dividend was declared in view of the group's strong balance sheet, with net liquid funds exceeding £22m at the end of March.

The outlook for the coming year was continued sluggishness in sales and profits, with a decline in profits expected.

The tax charge for the year fell from £7.60m to £6.73m, while minority interest payments fell from £597,000 to £3,000. This left attributable profits up 26 per cent to £12.91m. Net assets per share rose by 33 per cent to 113.2p.

Mini atom smasher, Page 12
See Lex

Hunting Associated

Field Aviation, a subsidiary of Hunting Associated Industries, has paid £3.8m cash for Metair, a UK company acting as completion centre for all Saab 340 commuter airlines sold worldwide.

The net assets of Metair being acquired total £5,000. In the six months to end-January 1987 the company returned profits of £486,000 at the pre-tax level.

Metair will retain its separate identity, its workforce of some 280 and its West Malling manufacturing and finishing centre.

London & Provincial

London & Provincial Shop Centres, a subsidiary of Randsworth Trust, is issuing £50m as a further tranche of its 10 per cent first mortgage debenture stock 2026. The price is £98.709 per cent.

Hydraulics Units

Net assets of Hydraulics Units, bought by Dowty Group, were $34.7m at March 29, not $24.7m as reported yesterday.

Ladies Pride agrees to merger with Leslie Wise

BY NIKKI TAIT

Ladies Pride, the ladies fashion manufacturer where dissident shareholders mounted an unsuccessful boardroom assault last month, yesterday announced that it has agreed to merge with the larger, *privately-owned Leslie Wise* company, a textile group.

The merger would involve the issue of 20m shares to Leslie Wise — more than trebling the existing equity. Leslie Wise's shareholders have been undertaken to cut their stake from around 70 per cent to 50.1 per cent, via a placing to be handled by Kitcat and Aitken.

The deal is conditional on the *approval of shareholders*. Yesterday Mr Peter Beswick, a partner in stockbrokers Henderson Crosthwaite and one of the four shareholders seeking boardroom seats, said, he was "very pleased that some positive action has been taken."

"It is a bit premature to comment on the deal, but we will take a constructive position, if it is in the interests of shareholders."

Leslie Wise is an established London-based textile merchant and converter of printed and dyed *fabric. It is* heavily involved with teenage fabrics and one suggestion is that it could use some of Ladies Pride's capacity to manufacture for this market.

Ladies Pride, meanwhile, takes in Saffron Knitting, which makes jersey fabrics, and could *supply to Leslie Wise.* Added Mr Wise himself, "What we aim to do is return Ladies Pride to its old self, with new ideas and fabrics."

In the year to end-September 1986, Leslie Wise made pre-tax profits of £714,948 on sales of £8.8m. However, Mr Wise says he expects current year sales to be nearer £12m and profits of around £2m. The company first had bid talks with Ladies Pride some 18 months ago but appears to have had its interest rekindled by the shareholders' *action.*

Ladies Pride suffered two years of losses in 1984 and 1985 but swung back to a pre-tax profit of £76,000 in the year to end-November. If the deal goes through, Mr Wise will become chairman of the group, and two other LW *directors will join the board.* Existing Ladies Pride directors will remain on the board.

Ladies Pride shares were suspended at 105 yesterday.

From left to right: James Sullivan, John Holloran, both executive vice chairmen of BPCC, with Robert Maxwell, chairman and chief executive.

BPCC will achieve £1bn turnover claims Maxwell

BY RAYMOND SNODDY AND NIKKI TAIT

MR ROBERT MAXWELL, chairman of the **British Printing and Communications Corporation** *claimed yesterday* that the company would achieve an annual turnover of £1bn during the current year.

In the year to December BPCC had pre-tax profits of £80.3m on turnover which had risen during the year from *£265m to £461m.*

Mr Maxwell made the claim that turnover would more than double this year at the company's annual meeting yesterday, the day after announcing a rights issue of £630m.

The BPCC chairman was responding to a *shareholder* who challenged his plan to make BPCC a company with £3bn-£5bn turnover by the end of the decade "with earnings per share to match."

The shareholder asked was Mr Maxwell really predicting that present earnings per share of 25p would rise to 250p by 1990.

Apart from forecasting this year's turnover Mr Maxwell refused to say what he thought future profits or earnings would be.

But he told shareholders that the rights issue, one of the largest in Britain, would give him the resources to try again to acquire Harcourt Brace Jovanovich, *the US publisher.*

The issue "will clearly enable us to come back into the fray and buy the company if we can on fair and successful terms," *Mr* Maxwell said.

Mr Maxwell also gave a clear hint yesterday that his plans to take Mirror Group Newspapers to the market in 18 months would most likely be through a flotation rather than a sale to BPCC.

With meetings for analysts and institutions under way yesterday, the City appeared to be in two minds about BPCC's hefty cash call. Alexanders Laing & Cruickshank, brokers to the issue, sub-underwrote *around £200m-worth with just* 14 institutions, and the rest with under 50—a relatively small number given the amount of paper.

BPCC has never been the most popular stock among institutions, but a number of its larger shareholders said yesterday that they had been happy to underpin the issue.

"We are reasonably satisfied with his aspirations in the States," *commented* one. "If he can do his stuff over two or three years, he will have put a good structure in place—after that the thing rolls. We think he has a chance."

"At long last," commented another long-term fan, "he seems to be putting in some really solid management."

But the enthusiasm was not universal. "We asked for our underwriting to be scaled down," said one fund manager. "I was told it looked good on commercial grounds, but Mr Maxwell always worries me."

Anglo Utd at £4.5m despite oil price fall

Anglo United, the opencast *coalmining group in which* Hillsdown Holdings took a 29.9 per cent stake last December, met its profits forecast with £4.5m pre-tax for the 17 months to March 31 on turnover of £27.34m.

In the year to end-October 1985, Anglo produced profits of £3.25m on turnover of £17,28m. Earnings per share were 3.3p, compared with 2.4p, and a final dividend of 0.365p will make a total of 1.43p net for the 17-month period.

Directors said the early part of the period had been dominated *by the sharp fall in oil* prices which severely damaged the group's markets.

Demand from its main customer, the Central Electricity Generating Board, had dropped, *but new markets* had been found and the group finished the period with low UK coal stocks.

Six new mines had been opened in the UK and two more were acquired. Operations at Anglo's Pennsylvania anthracite mine had been substantially reduced.

The £11m acquisition of LCP Fuels had been approved by Anglo's shareholders.

The group's progress in the current year was expected to come primarily from organic growth, supported by acquisitions, and the board was confident of a successful outcome for the year.

Tax took £1.7m, compared with £1.4m last time.

Silentnight sees record

Despite the long-running industrial dispute at **Silentnight**, Mr Tom Clarke, chairman, told shareholders at yesterday's annual general meeting that the company had never been in better shape.

Bed sales this year would be the highest ever, he said. All other group bedding companies were also doing well.

Mr Clarke forecast a record first half profit to end-July of between £2.75m-£3m compared with £1.43m for the previous year. *The outlook for the full* year was a substantial improvement on 1986-87.

An increase in upholstery capacity was expected before the peak selling period of October to December, including an up-market range of leather upholstery launched very successfully last month.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: S. & W. Berisford, Citer, Hawtin, Robert Horne.

Finals: BET, Bassett Foods, British Telecommunications, Chloride, James Finlay, Johnson Matthey, Kenning Estates, Kenning Motor, London International, M.L. Holdings, Mansfield Brewery, Scapa, 600 Group, Stoddard, Stormgard, U.K. Land, Unilock.

FUTURE DATES

Interims—	
Automated Security	July 9
Dewhurst	July 16
Raeburn Investment Trust	June 25
Stainless Metalcraft	June 25
Finals—	
Brown and Jackson	June 23
C.H. Industrials	June 25
Whitecroft	June 22
Wyndham	June 22

Lookers rises to £1.64m in first half

Lookers, Manchester-based car distributor in which T. Cowie, the main Ford dealer, acquired a near 15 per cent stake earlier this year, yesterday reported a £383,000 rise in interim profits to £1.64m pre-tax.

The *interim* dividend is being stepped up by 0.6p to 2.6p per 25p share from earnings of 14p compared with a previous 10.4p.

The directors said they were continuing to explore expansion possibilities. They pointed out that cash flow was very positive and added that falling interest rates would also help profitability.

During the half year to March 31 the motor division continued to increase its profits.

It was noted that although major car manufacturers had considerably reduced their sales bonus payments, resulting in an initial reduction in profits, dealers were gradually restoring margins.

The directors said the long-term trade would benefit from this return to more stable trading conditions.

They said indications were that 1987 sales of new cars *would reach a record level—at* present the company was experiencing a shortage of certain models of new cars. The used car market was also buoyant.

Turnover for the opening six months rose to £82.9m (£80.78m). Tax accounted for £491,000 (£407,000).

REX WILLIAMS Leisure — regarding recent gain in share price the directors said negotiations that could lead to one or more acquisitions were continuing, but they felt there was a "degree of speculative *interest" in a narrow market* which might be "over-enthusiastic" in the short term. They were not aware of any other reasons for the rise.

London Scottish ahead despite heavy costs

London Scottish Finance Corporation yesterday reported a 10 per cent increase in pre-tax profits, from £954,000 to £1.05m, for the six months ended April 28 1987.

The improvement was despite the substantial initial expenses of opening seven offices during the period, costs associated with the acquisition of the consumer credit businesses of March the Tailor and Home Supply Finance, and the introduction of a computerised legal system to back up its field debt collection service.

The directors are lifting the interim dividend *to* 1.1p (0.9p), to be paid from earnings per 10p share up from 2.9p to 3.3p basic, and from 2.8p to 3.2p diluted.

Turnover for the period rose 17 per cent to £7.97m (£6.8m) and the chairman reported turnover up *by 24 per cent in* the first few weeks of the second half. He added that interest rates started to come down in January and the full effect of that should start to come through in the current period.

Finance costs fell by £6,000 in the half year to £750,000. Tax was lower at £237,000 (£270,000), and retained profits *after dividends* rose from £469,000 to £537,000.

Godfrey Davis profits mark time at £4.5m

BY ALICE RAWSTHORN

Godfrey Davis Holdings, the motor and property services group which *has* just concluded a merger with the Sunlight Service Group, which is not being referred to the Monopolies Commission yesterday announced a virtual standstill in pre-tax profits of £4.55m (£4.49m) in the last financial year.

On completing the merger with Sunlight — which is involved with commercial cleaning, laundry and security services — *Godfrey Davies* has emerged as a broadly based services group. It has also introduced a younger management team.

In recent years Godfrey Davis has pursued a long term strategy of broadening the base of its business interests to reduce reliance on is mortor dealerships, which have suffered from over-capacity and discounting in the car industry.

The Ford main dealership increased both operating profits and turnover to *£3.46m (£3.37m)* and *£114.65m* (£98.67m) in the year to March 31. Mr Neil Benson, deputy *chairman*, said that this growth was fuelled by the buoyant contract hire business.

Godfrey Davis now operates around 30 residential parks which produced *profits* of £1.97m (£1.62m) and turnover of £8.37 (£6.37m). But profits from the portable buildings division fell to £1.08m (£1.37m) on turnover which rose to £5.42m (£4.85m). Mr Benson said that the problems at this *business have now been* resolved withthe introduction of a new management team and a move to a new head office.

Interest payable increased to £1.95m (£1.87m) while interest receivable fell to £13,000 (£75,000). Property profits are expressed as an extraordinary credit of £1.18m (£133,000).

Yet earnings per share rose to 11.9p (11.6p), boosted by a fall in taxation to £1.32m (£1.64m) due to over-provision in past years. The board proposes a final dividend of 4.0p making 5.5p (4.5p) for the full year.

Good performance puts FII-Fyffes on I£3.8m

INCLUDING a full six months contribution from Fyffes, the Dublin based USM quoted **FII-Fyffes** *group of fruit* and vegetable merchants reported turnover of I£117m and a pre-tax profit of I£3.83m for the half year ended April 30, 1987.

For the same period of 1986 turnover was £45.39m and profit £1.69m. By the end of that financial year they had increased to £153.6m and £7.2m respectively, including four months contribution from Fyffes.

The group overall performed well in the first half. Business i nthe UK made good progress and *profitability improved.*

eRsults for the full year were on target and the directors were looking for a satisfactory outcome.

Earnings for the six months came to 1.63p (1.01p) and the interim dividend is 0.33p (0.3p) net. It would have been more but for consequent ACT liability.

Frederick Cooper spends further £8m on acquisitions

Frederick Cooper, the specialist engineering group, yesterday announced the addition of several new engineering companies to its list of recent acquisitions, for a total payment of £8.1m.

Cooper is to acquire D. D. Lamson, Lamson Nederland, and Lamson Engineering from Crest Nicholson for £7.7m, to be satisfied by the issue of *5.13m new ordinary shares.*

Cooper is also to acquire W. E. T. Engineering, New Defiant Products and Pioneer Box for £400,000, to be satisfied by the issue of 266,667 new shares. An additional 244,809 shares are to be issued to finance costs associated with the acquisitions.

All new shares in connection with the acquisitions have been conditionally placed with institutional and other investors at 150p each, pending a clawback arrangement for shareholders, who may acquire four new shares for each 11 existing shares.

The Lamson group manufactures, distributes and installs pneumatic and electro-mechanical conveying equipment used in the food, electronics, chemical, pharmaceutical and nuclear industries. Lamson also manufactures and installs industrial vacuum cleaners and portable suction units, with a 15 per cent share of the UK market. Pre-tax profits in the year to the end of October 1986 were £1.45m, based on sales of £10.3m. Net assets were £1.5m.

The W.E.T. group manufactures and distributes architectural *door springs*, door closures, bearings and rollers for commercial and domestic door gear, and components for valve and hydraulic systems. Profits in the year to the end *of March were £105,000 on a* turnover of £1.57m.

Cooper said that recovery of the group's performance for the six months to the end of January was continuing in the second half of the fiscal year. The company says the shares issued in connection with the acquisitions will result in a market capitalisation for the enlarged group of £34.1m.

Frederick Cooper is active in *metal finishing*, specialist engineering materials handling and instrumentation, security products, and electrical components.

Govett Strategic's £50m debenture

Govett Strategic Investment Trust is placing £50m 9¾ debenture stock 2017 at £97.807 per cent for gross redemption yield of 10.11 per cent. Brokers are de Zoete and Bevan.

The stock will be payable as to £50 per £100 nominal on *acceptance and as to the* balance on or before September 11. The first payment of interest will amount to £2.0263 per £100 nominal and half-yearly thereafter on April 15 and October 15.

Mountview up 32%

Mountview Estates, property dealer, lifted pre-tax profits by 32 per cent, from £5.44m to £7.16m in the year to March 31 1987.

On turnover up by 30 per cent to £10.73m (£8.24m) operating profits moved ahead to £7.21m (£5.55m). The pre-tax *result was after lower* interest charges of £52,000 (£108,000).

The directors are recommending a 25 per cent increase in the final *dividend to 5p, making* a 6p (5p) total for the year. Earnings improved from 65.3p to 93.8p per 5p share after tax *of* £2.51m (£2.17m).

HODGSON HOLDINGS (USM-quoted funeral director) has acquired **Coyne Brothers** for about £1m cash. For year to March 31 1986 Coyne had a turnover of £626,000.

Feedback recovering

SOME profit recovery was achieved by **Feedback** in the year ended March 31 1987 and the dividend is doubled to 2.5p *net, with a final of 1.25p.*

The group, USM-quoted maker of computer peripheral equipment, lifted its operating profit from *£533,000 to £674,000*, on reduced turnover of £8.65m (£9.2m). With net interest charges cut from £216,000 to *£168,000, the pre-tax profit* came to £507,000, against £316,000. All companies *operated profitably.*

The directors said an improving business climate coupled with the introduction of major new products at Feedback Instruments and Feedback Data suggested that both margins and profitability should show further growth in the current year.

In 1982-83 the profit. was *£1.26m, but fell to £1.05m* and then to *£608,000* in the succeeding years. Dividends in those years were 2.5p and 2.75p.

Earnings in 1986-87 came to *3.58p (2.79p) after tax £204,000* (£81,000). Extraordinary debits were £72,000 (£132,000).

CHILDREN'S MEDICAL Charity Investment Trust: Net asset value at December 31, 1986 was 92p per share and 106.7p at April 30, 1987 after dilution.

WILSON (CONNOLLY) Holdings: Imperial Group Pension Investments and Imperial Group Pension Trust are now jointly interested in 3.33m ordinary shares (3.8 per cent). They were previously interested in 5.1 per cent and the reduction results from a transfer to the managers of the Courage Pension Fund.

TOOTAL GROUP has made two acquisitions for just under £1m; T. G. Green, a Derbyshire based specialist cast earthenware company, and Copyall, a small photocopier sales and service concern in Stockport Greater Manchester.

ELECTRON HOUSE has completed the acquisition of Comway, a distributor of Intel systems, from Waycom Hold*ings*, for £500,000 cash. Comway, located at Bracknell, had a turnover of £2.47m on which it incurred a pre-tax loss of £98,000 in the year to end-October 1986.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Airsprung‡	3	July 29	—	5.9	—
Anglo United	0.37	Oct 1	—	1.43††	—
Christian Salvessen	2.25	—	2	3.63	3.25
Countryside Prop ...int	0.63‖	Sept 4	0.56*	1.59*	—
Equity & General	0.75	—	0.6	1.05	0.9
Feedback	1.25‡	Aug 24	nil	2.5	1.25
FII-Fyffes ...int	0.33**	—	0.3*	—	1.06*
Godfrey Davis	4	Aug 21	3	5.5	4.5
LIT	0.96	—	0.83	1.5	1.3
London Scottish Fin int	1.1†	July 31	0.9	—	3
Lookers ...int	2.6	—	2	—	6.4
Y. J. Lovell ...int	1.25	Sept 30	0.85*	—	4*
Magnet & Southerns	3.8	Aug 7	3.2	6	5.2
Mountview	5	—	4	6	5
Oxford Instruments	1.6	—	1.2	2.4	1.8
John Waddington	3.1†	July 2	2.6*	6	5.2*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ On capital to be increased by a three-for-one scrip issue. ** Irish currency. †† For 17 months.

Waddington hits £12.2m and expansion ahead

THE STRONG progress made by **John Waddington** during the opening half year continued through the second six months and for 1986-87 as a whole the packaging and games group saw its profits surge from £6.41m to £12.23m at the pre-tax level.

Turnover for the 12 months to April 4 improved by £33.5m to £131.72m. During the period the group called on shareholders for £22m via a one-for-four rights issue to expand its packaging interests.

In April it acquired Johnsen & Jorgensen Packaging for £17m barely two months after snapping up Scottish-based colour printer Gilmour and Dean for £10.22m.

The directors said yesterday that they expected to make further acquisitions although they would continue to adopt a highly selective approach.

They added that the next acquisition was likely to be in packaging and that opportunities were being looked at in the UK and the US.

Profits for the year were struck after adding in £712,000 from the sale of investments and deducting interest payments of £865,000 against previous £1.49m.

Profits broke down as to packaging £8.08m (£4.92m), business forms and security £2.45m (£2.29m) and games £1.84m (£687,000).

Tax accounted for £2.98m (£1.55m) to leave earnings per 25p share at 16.26p (10.17p).

A final dividend of 3.1p, as forecast, raises the total from 5.2p to 6p net on the enlarged share capital.

Victor Watson, chairman of Waddington

• comment

It is not clear how much of this doubling of profits by John Waddington was due to first time contributions from acquisitions. For while about £19m of the £33m sales rise came from the new faces, some of these (security printing especially) were running at a loss. However, it is in specialised packaging products that Waddingtons continues to make impressive progress. The ovenable tray that allows the pastry inside to come crisp out of the micro-wave is attacking the fast-food market's soft underbelly. Recent acquisition J & J has a good position in the medical blister pack business plus a useful link into the US via the DTC joint-evtnure. This was also one of the best years for some time for the games division — although given the uncertainties and the high promotional costs involved, management must sometimes wonder if it is worthwhile centering all this effort on the roll of a dice. This year £20m is in view which puts the shares at 325p on a prospective p/e of 16. Ungeared and keen to boost future growth prospects, Waddingtons can be expected to be looking at a US acquisition before long.

Countryside Properties profits trebled

By Paul Cheeseright, Property Correspondent

COUNTRYSIDE Properties has had a threefold increase in pre-tax profits for the half year to March 1987 on the back of the private housing boom in the south east.

It announced yesterday a three-for-one scrip issue and declared the equivalent of a 12 per cent increase in the interim dividend.

Taxable profits for the first six months were £4.16m against £1.3m in the comparable period of 1985-86 and £4.15m for the year to September 1986. Earnings per share were 33.6p against 15.3p in last year's first half and 42.1p for the whole of the last financial year.

The surge pushed the shares sharply higher in a thin market. They closed at £11.45p for a rise on the day of £2.12p.

The scrip issue is designed to improve the marketability of the shares, Countryside said. It involves an increase in the authorised share capital from £3m to £12m divided into 48m shares of 25p each. Dealings in the new shares would start on July 13.

The interim dividend of 0.63p will be paid on both the existing and new shares. At this time last year the dividend was 2.25p, equivalent to 0.56p on the proposed new capital base.

The surge in pre-tax profits has come on the back of a turnover which rose 66 per cent to £21.2m compared with the 1985-86 first half. Countryside's housing division brought in over 80 per cent of the gross profit and sales were £15.4m, or 52 per cent higher than in the comparable period.

"The prospects for the remainder of the current financial year look very good and profit for the full year is expected to show a substantial improvement on last year's record profit," said Mr Alan Cherry, the chairman.

Countryside's existing programme covers 2,300 new homes in London, Essex, Kent, Hertfordshire and Suffolk. But it will acquire land for a further 5,000 homes provided planning permission for residential development can be obtained.

About 80 per cent of the group's new housing is on recycled urban land.

St Modwen calls for £10m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

St Modwen Properties, which emerged out of Redman Heenan International 15 months ago, is raising £9.8m through a share placing and rights issue to help fund the acquisition of a property portfolio from Eagle Star Insurance.

It announced yesterday that it was issuing 17.9m new shares at 57p. The new shares will be placed with institutions but there is also an open offer to shareholders on the basis of two new shares for every 11 held.

The placing price was at a discount of 7p to the market price prevailing before the issue announcement. Afterwards the shares moved 6p higher to 70p.

The company plans to top up the money raised through the issue with £2.67m of its own resources to meet a purchase price of £12.55m for the Eagle Star properties.

These properties include the Lancaster shopping centre and offices in Birmingham and the London suburbs. They produce rental income of £1.2m a year.

The effect of the purchase will be to raise St Modwen's net asset value per share to 19p from 11.1p.

ISSUE NEWS

BY ALICE RAWSTHORN AND RICHARD TOMKINS

Parkway to join USM marketing services sector

THE MARKETING services sector will gain a new recruit when the Parkway Group, which provides press and poster production services for the advertising industry, joins the USM later this month.

Parkway was formed in 1983 by Mr John Borkett and Mr David Taylor, together with three advertising agencies — Collett Dickenson Pearce, Lowe Howard-Spink & Bell and Wight Collins Rutherford Scott. The three agencies each contributed £15,000 to establish the company as did the two founders.

Initially Parkway offered colour and black and white advertising production facilities. It has since expanded to embrace photography, typesetting and reprographic services. It is also involved with developing new technological methods of advertising production.

Although the three founding agencies are still Parkway's largest customers, it has broadened the base of its business to accommodate work from other companies. Collectively the three provided 46 per cent of its turnover in the last full financial year. Parkway made pretax profits of £464,000 on turnover of £3.52m in the year to September 30. This year it should make £1m on £10m respectively.

Mr John McKimmie, chairman and chief executive who relinquished his post as WCRS finance director last month to become executive chairman, said that Parkway was going public in order to raise finance for working capital and future acquisitions and to accentuate its independence from the three founding agencies.

In the placing, through Hoare Govett, Parkway will issue 30 per cent of its equity on a prospective p/e in the high teens. After going public, Parkway will be capitalised at £15m.

Britannia's prospectus predicts profits of £1.8m

Britannia, the property developer being floated on the stock market, today publishes the prospectus for its offer for sale. Hill Samuel, the merchant bank, is offering 3.7m shares at 155p each, with Heseltine Moss as stockbroker to the issue.

Britannia is a development and construction group which carries out commercial, industrial, retail and residential projects mainly in the Cheltenham, Gloucester and Swindon areas. Its profits increasingly come from the development side of the business.

The prospectus shows pretax profits declining over most of the past five years but they have recovered in the wake of a management buy-out in 1983. The company is forecasting pretax profits of £1.8m for the year to December 1987 against £801,000 last time, and it is coming to the market on a prospective price/earnings ratio of 13.46.

The offer for sale closes next multiples, and it will probably Tuesday and dealings are expected to begin on Tuesday of the following week.

• comment

Britannia may have produced the statutory five-year financial record but the company is something of an unknown quantity as far as the investor is concerned. It has only begun to take its present form since the buy-out in 1983 and in the interim has derived more of its gross profits from construction than from the development activities on which it is being sold. The flotation catches the company at the point where this profits split is about to be reversed. RoyScot House in Cheltenham will provide a substantial contribution to the current year's forecast profit and it is clear from other developments now at the planning stage that this is just the beginning of the trend. The absence of a solid recent track record in development might nevertheless have suggested a bigger concession in the rating to the group's still prominent construction activities. It is not there: but then again, these are not the days for cautious take a sharp downturn in the market to jeopardise Britannia's prospects of a warm response.

Primerica debut via introduction

Primerica, the US financial services conglomerate which has emerged from the shell of American Can under the aegis of Mr Gerald Tsai, announced yesterday that it has joined the London stock market through an introduction

Five years ago when Mr Tsai —the present chairman, who made his name in the 1960s as one of the most famous fund managers on Wall Street—joined the group, it was one of the ailing bastions of US industry.

Since then it has diversified into the services sector creating a conglomerate with interests in insurance, asset management, mortgage broking, investment banking and specialist retailing. Last year the original American Can packing business was sold and earlier this year the group was rechristened Primerica.

By securing a London listing, arranged by Kleinwort Benson, Mr Tsai hopes to attract more overseas shareholders to the group: at present non-US investors hold 9 per cent of the equity. Primerica plans to seek a listing on the Tokyo stock market later this year.

Learmonth placing gives £21.3m tag

THE STORY of a company investing in an expensive new computer system only to be disappointed by its performance is all too familiar. So familiar that **Learmonth & Burchett**, a USM newcomer has built up a business to solve other companies' computer problems.

Learmonth was set up 10 years ago as a consultancy and training service to enable blue-chip companies to cope with the installation of new computer systems. Yesterday it unveiled proposals to join the USM through a placing of shares, which will value its business at £21.3m.

The company is now involved with consultancy, training and software. From its base in the UK it services clients such as British Gas, ICI, National Westminster Bank and the Ministry of Defence. In the US it works for American Express, Burlington Industries and Standard Oil.

In the year to April 30 it produced pre-tax profits of £1.4m on turnover of £7.6m, respective increases of 54 and 88 per cent on the previous year.

County NatWest is sponsoring the placing in which the company will issue 1.67m shares, or 13.7 per cent of its equity, at 175p a share. This puts Learmonth, with earnings per share of 7.6p last year, on an historic p/e of 23.

Learmonth is going public to facilitate growth by acquisitions but also because Mr John Connelly, one of its founders and a former non-executive director, wants to realise his holding. After the placing, his stake will be reduced from 30 to 12 per cent. The bulk of his shares will be placed but his fellow founders, Mr Roger Learmonth and Mr Rainer Burchett, will each buy some of his shares thereby increasing their holdings from 30 to 32 per cent.

Amercoeur Energy heads for Third Market listing

Amercoeur Energy, a mineral exploration company, is joining the Third Market in a placing of shares which will value its business at £7.3m.

The company is the product of a merger between Dacia, an investment vehicle for the oil industry, and Amercoeur, which is involved with peat and anthracite mining. Amercoeur was formerly a subsidiary of Amercoeur Energy (Canada) which is quoted on the Toronto over-the-counter market.

Amercoeur Energy's interests are now composed of anthracite mining in South Wales; peat extraction and processing in Northern Ireland; and interests in oil, gas and mineral marketing.

It is going public in order to raise capital to develop its anthracite mines and to install an integrated anthracite-processing plnt. In the placing, through Brown Shipley with Gilbert Elliott acting as sponsor, Amercoeur Energy will raise £2.46m with which to fund this proposed expansion.

The company will issue 4.25m shares, representing 38 per cent of its equity, at 65p a share. After the placing its pro forma net assets will be valued at £4.3m with pro forma net assets per share at 38.5p.

Amercoeur Energy is the latest in the flow of companies to join the Third Market, which opened in January. The market's early months were marred by a shortage of new issues. But the pace of flotations has picked upi n recent weeks.

YEARLING BONDS totalling £1.15m at 8⅞ per cent, redeemable on June 22 1988 have been issued by the following local authorities. Alnwick District Council £0.15m: Monklands District Council £0.75m: Northavon District Council £0.25m.

Saltire offer disappoints

Saltire Insurance Investments, the newly-floated investment company which specialises in the insurance industry worldwide, yesterday disclosed that its mini-offer for sale had been badly undersubscribed.

A total of 15m shares were issued at 100p each, with 11.25m of them placed with institutional investors and the remaining 3.75m offered to the public. Only 38 per cent of the offered shares were taken up, with 799 applications received for 1.43m shares. The rest were placed with institutional investors.

Saltire's shares started trading last Friday and ended the day at 103p.

Saltire was only the second company to have chosen the mini-offer-for-sale route to the market since the method was devised last October. The first was Computer People last month.

The issue was sponsored by Marchall & Co (Brokers) and Quilter & Co.

York Trust makes £5m cash-call

DETAILS OF a rights issue to raise £5,092,772 net nd the acquisition of the remaining 65 per cent of London Commodity Futures were announced by York Trust Group yesterday.

The initial consideration for LCF is £4,012,500 and a deferred consideration related to profits. The initial consideration will be satisfied by the issue of 4,458,333 new York ordinary, of which 2,083,333 have been conditionally placed by Alexanders Laing & Cruikshank (A L & C) with institutions and other investors to raise £1.875m in cash for the vendors, and by the issue of 39,000 convertible preference shares.

In addition York has made capital payments to and has granted options to subscribe for 750,000 new ordinary to certain dealers employed by LCF in consideration of their entering into restrictive covenants. These options have been exercised by the relevant dealers.

The rights issue is of 6,103,080 ordinary shares which have also been conditionally placed by AL&C. The placing shares represent 20 per cent of York's existing ordinary share capital.

Shareholders on register on June 9 will be offered one new share at 90p for every five held.

The £5.09m raised by the company together with the £3.015m generated by the sale of the 1.6m shares in John Crowther in May will be used to fund the further expansion.

Application will be made to the Council of the Stock Exchange for permission to deal in the new ordinary shares in the USM.

All-round growth helps Y. J. Lovell rise 22%

ALL-ROUND growth helped **Y. J. Lovell (Holdings)**, Buckinghamshire building contractor, to produce a 22 per cent improvement in its interim pretax profits to £3.97m.

Turnover for the six months to March 31 rose by 18 per cent to £142.68m, and the interim dividend rose from an adjusted 0.85p to 1.25p to reduce disparity with previous payments.

Directors said progress across the group had been satisfactory, with optimum balancing between current profit-making activities and investment in the future.

A good performance on the ground, reduction in running costs, substantial expenditure on land and absorption of initial costs involved in the major launch into urban renewal, were indications of balanced progress.

A recently acquired building company in Southern Spain should contribute to results in the next financial year, they said.

Most areas of the group's business had reported increases in both turnover and profit for the first six months. Housing, commercial development, urban renovation, construction and construction related activities were continuing to provide opportunities for profitable growth amidst significant changes in market conditions.

After tax of £1.39m (£1.14m), earnings per share lifted from an adjusted 4.26p to 4.63p.

• comment

Lovell has a habit of doing no more than meet brokers' forecasts, and so a 22 per cent rise in profits triggered a 10p decline in the share price to 257p. Such a response is harsh, since the company's activtiies deftly straddle two polarised aspects of modern Britain: benefiting from ever-escalating house prices in the south-east and urban renewal in the run-down cities of the north. Of the 3,000 units to be built this year, 1,750 will be aimed at prosperous buyers in the south, west and Midlands. A further 900 should be built in conjunction with local authorities, who furnish the cash for the development and help ensure good margins. The balance should grace the inner-city developments undertaken through the PROBE scheme with the Halifax and Nationwide Building societies. Although prospects for straightforward constructon remain flat, Lovell should achieve £15m in the full year. This puts the shares on an undemanding prospective multiple of 15.

Compsoft suspended

SHARES in **Compsoft Holdings**, the computer software group which incurred a £145,000 loss in the six months to end-September 1987, were suspended yesterday morning at the company's request, pending an announcement about the possible acquisition of two private computer software companies.

Negotiations had reached an advanced stage, said the company. The consideration would be satisfied by the allotment of share in Compsoft, whose issued capital would be more than three times its present size.

A circular and notice of the EGM will be sent to shareholders, at which time the preliminary results of the year to March 31 will be announced.

CONSOLIDATED VENTURE Trust: Net asset value at end-April 1987 214p per 10p share against 2021p three months earlier. The unlisted portfolio was adversely affected by the weakness of the dollar, directors said.

BUSINESS LAW

Opren: the need for class actions

By A. H. HERMANN, Legal Correspondent

THE "class action"—a procedure used in the US to dispose by a single action of a great number of related claims against the same defendants—is as yet unknown to the English courts. But in the view of Sir John Donaldson, the Master of the Rolls, it is something which should be looked at and possibly adopted.

"Meanwhile, the courts must be as flexible and adaptable as possible in the application of existing procedures with a view to reaching decisions quickly and economically." Sir John said this in his judgment approving an order made in the High Court by Mr Justice Hirst in the Opren litigation. This judge was assigned all the interlocutory applications necessary before some 1,500 individual actions by those who feel harmed by Opren, an anti-arthritic product of Eli Lilly & Co, can be tried.

The judgment of Sir John, with which the other two appeal judges, Lord Justice Lloyd and Lord Justice Balcombe agreed, brings English civil procedure a small step nearer to a class action. However, the distance to overcome is still considerable and Sir John's invitation to the authorities to consider the matter deserves support.

The Appeal Court judgment* is remarkable also for the lucidity achieved in dealing with a technical, procedural issue, revealing the futility of the real purpose hidden behind a rather artificial legalistic argument.

Mr Justice Hirst is faced with the task of selecting one or two representative actions in which the basic issue of liability would be decided for all the 1,500 or so claimants. Without special provisions about cost the representative cases would bear the burden of legal costs for all the others waiting in the wings for the outcome. The judge decided† that the costs of these representative preliminary trials should be borne equally by all plaintiffs, so that each would be asked to contribute about 1/1500.

Some of the plaintiffs are legally aided and others are not. Those who are not legally aided would prefer that the representative cases were selected from the group of those who are. The burden of costs would then fall on the legal aid fund entirely. The real purpose of the appeal brought in the name of one of the plaintiffs, Mr Joseph Owen Davies, was to reverse the decision distributing costs equally between all claimants. The means chosen for it was the interpretation of a sub-rule of the Order 62 Rule 3, of the Rules of the Supreme Court 1965, which says that in exercising its discretion the "court shall order the costs to *follow the event*. . ."

"Costs following event" is a well established term of art which invariably means that the party winning the case should be awarded costs. However, the counsel presenting the appeal argued that the meaning of the rule was that the decision about costs could be made only after judgment was given and not before.

However, the three Appeal judges were unanimous that the decisions of Mr Justice Hirst could not be faulted.

The courts seem in this case to have done as much as they can to provide a cost distribution enabling the disposal of all the claims by one or two "leading" actions on "preliminary" issues. To leave the burden of costs on one or two legally aided claimants would deprive them of any benefit from a possible award because awards are paid to the legal fund which passes on to the claimant only what is left after covering the costs. However, the allocation of costs in equal shares per head will hardly be fair as the awards made to individual claimants are likely to differ in accordance with the extent of damage they suffered, and according to their age and possibly other circumstances; for example, the older they are, the less they are likely to get for the same amount of damage.

Let us see how the case could be handled if the US class action procedure was applicable in the UK, provided of course that the UK prohibition of contingency fee agreements — by which the attorney gets a percentage of the award won for his client and nothing if he loses — was lifted.

Section 23 of the US Federal Rules of Civil Procedure allows one or more members of a large group of claimants to sue as its representatives. They must represent the interests of all members of the class "fairly and adequately." The representative actions concern issues both of fact and law. Though employed mostly when the number of possible claimants runs into hundreds or thousands, in some cases as few as 25 claimants used the method.

A committee of lawyers selects the representative cases and agrees the distribution of any award between the claimants. The agreement and the contingency fee scales have to be certified by the court.

Once the plan was approved by court, the lawyers' committee faces one of its most difficult tasks: to find finance for notification of all possible members of the class. The outlay may be considerable if the potential claimants are unknown and numerous, for example, owners of bearer bonds. Under federal law the claimants may opt out of the class action, under some state laws they have to opt in.

Then follows the lengthy and costly US "discovery" of evidence. When completed, the class action is mostly brought to an end without trial by a settlement which has to be approved by court. So far, much the same procedure could take place in English courts and as Sir John said: "I could see no grounds for thinking that these cases are an exception to the general rule that settling genuine disputes by agreement between the parties is almost always in the interests of all parties."

However, the distribution of the legal costs in a US class action is much fairer than can be achieved in the UK. As a rule, the settlement or the judgment provides one lump sum award for all the claimants and the total of costs is deducted from this lump sum. The remainder is then distributed between the claimants according to the initial agreement reached by the preparatory committee of lawyers and approved by the court. This means that the burden of costs is exactly in proportion to the award received.

As such actions are almost invariably financed by the lawyers under a contingency fee agreement with the claimants, these pay nothing if they receive nothing. As in the US system, the losing party is only exceptionally obliged to pay the costs of the winning party, the lawyers' risk is smaller than it would be in the UK. If they lose the case they obtain no reward and would have to meet their own expenses but would not be obliged to pay the legal costs of the successful defendants.

This sounds well but there is the crucial question of timing. As Sir John pointed out "If elderly plaintiffs are to be compensated by an award of damages, they need to receive that money at a time when they can still make use of it." The American experience does not offer much hope in this direction.

Asked about the timetable of a large class action in which the US law firm Morgan Lewis and Bockius is involved at present, Mr Richard P. Brown of their Philadelphia office said: "The class action was started in Philadelphia in 1983. It was certified by court in 1984. Various appeals were decided in 1986 and some are still being argued. They may be resolved within the next six months but discovery of evidence, which will only then start, will take several years. Altogether, this class action may take eight to 10 years before a settlement or a judgment is obtained."

Mr Brown was speaking about a major action which involved 54 defendants and thousands of claimants. A smaller action with one defendant and only 1,500 claimants may be completed sooner. But even so the elimination of possible delays would probably represent the most difficult and most important task in any attempt to adapt the US system for use in the UK.

* *Joseph Owen Davies v Eli Lilly & Co and others. Judgment of 3rd June 1987. FT law reports 5th June 1987.*

† *Davies v Eli Lilly & Co (Queen's Bench) 8th May 1987. FT law report 12th May 1987.*

APPOINTMENTS

Sir Austin Pearce to join Oxford Instruments

At THE OXFORD INSTRUMENTS GROUP Sir Austin Pearce, chairman of British Aerospace, will succeed Mr Barrie Marson as non-executive chairman on his retirement at the end of August. Sir Austin is a non-executive director of Jaguar and Pearl Assurance, vice chairman of The Royal Bank of Scotland.

★

Mr G. M. Shopland has been appointed group chief executive of PEAK ELECTRONICS GROUP. Previously he was with Group Four, as managing director of various companies in the group including Securitas Technology.

★

Mr C. J. (Colin) Parsons has been appointed a director of TAYLOR WOODROW. Mr Parsons is also president of Taylor Woodrow of Canada and was appointed a divisional director of Taylor Woodrow in 1983.

★

Mr M. A. C. Marshall has been appointed a non-executive director of J. JARVIS & SONS. Mr Marshall is general secretary and administrator of the Beaverbrook Foundation and personal assistant to Lord Beaverbrook.

Non-tyre posts at Avon Rubber

AVON RUBBER says it intends to increase the growth of its non-tyre activities — both organically and by acquisition. Mr Brian Stacey, a main board director since October 1985, has been appointed chairman of Avon Industrial Polymers and will lead all the group's non-tyre activities. Mr Steve Willcox takes over from Mr Stacey as managing director of Avon Industrial Polymers.

★

Mr Alastair Balls, regional director for the Departments of the Environment and Transport in the north ease region, has become chief executive of the TYNE and WEAR DEVELOPMENT CORPORATION.

★

Mr Wim Bushell has been appointed to the board of MORGAN, READ & COLEMAN.

★

Mr Paul Dupee has been appointed a non-executive director of THE LONDON INVESTMENT TRUST.

★

SEDGWICK has made the following appointments: Mr D. C. Reed becomes a director of Sedgwick Risk Management Services; and Mr J. P. Hurrell and Mr A. P. Latham become directors of Sedwkick UK.

★

GUILDWAY, the timber frame subsidiary of the Declan Kelly Group, has appointed Mr Roger Burford as managing director. He was formerly managing director of the Meyer International subsidiary Crosby Doors.

★

TAYLOR YOUNG INVESTMENT MANAGEMENT, has appointed Mr Roderick D. McDougall as a non-executive director. He is a director of PSM International, Rediweld Holdings, H. Harris Textiles, and Romag Holdings.

★

Mr Roger Felstead has been appointed group managing director of WINTER PARTNERS INFORMATION TECHNOLOGY. He joined from Control Data's FIS division following Winter Partners' acquisition of the Arbat group last April. His responsibilities include the overall management of companies in the UK, US, Hong Kong and Singapore and the supervision of the Tokyo representative office.

★

RICS JOURNALS, an associate company of The Builder Group, has appointed Mr M. P. Hills and Mr C. Branson to the board.

Mr Peter D. Venables has been appointed assistant general manager of the London branch of BANQUE INTERNATIONAL A LUXEMBOURG. He was manager, advances.

★

CAPE BUILDING PRODUCTS has established an international division which is headed by Mr Jim Laird, managing director. Mr Martin Kelly, previously commercial manager, export, is appointed export director, land sales.

★

Mr Michael Bateman, a director of Dollond & Aitchison, has been elected chairman of the FEDERATION OF OPHTHALMIC AND DISPENSING OPTICIANS.

★

In the LOCTRONIC group the following boards have been established. At Lockwood Graders (UK): Mr Mick Cowlin, chairman; Mr Brian Gray, managing director; Mr Ian Wick, and Mr Ian Watt directors. At Loctronic Graders: Mr Cowlin, chairman; Mr David Adams, managing director; Mr Wick and Mr Leslie Sapsed directors.

★

TURNER & NEWALL has appointed Mr Mike Bannard and Mr Jag Sastry as directors of its subsidiary Coopers Payen. Mr Bannard becomes original equipment sales/research and development director, and Mr Sastry financial director. Mr Bannard has been with Turner & Newall for 21 years and Mr Sastry for 16 years.

★

Mr John Swire, chairman of JOHN SWIRE & SONS, is to retire following the annual meeting on July 14. He will remain on the board as an executive director. He is succeeded by Sir Adrian Swire, who has been deputy chairman since 1986.

NEERING AND MANUFACTURING ASSOCIATION in succession to Mr B. W. Manley of AT&T Phillips. Mr D. MacDougall, managing director of Thorn Ericsson Telecommunications, has been elected vice president of the association.

★

HEATHFIELD CARPETS (HOLDINGS) Kidderminster, has appointed Mr Christopher Rudd as group company accountant. He was finance director and company secretary of Jensen Cars.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1986							
1st qtr.	109.1	102.6	105	119.3	146.0	3,171	166.5
2nd qtr.	109.2	103.5	105	121.3	154.0	3,203	175.6
3rd qtr.	110.8	104.8	106	123.7	158.7	3,202	200.2
4th qtr.	110.7	107.1	111	126.5	194.3	3,141	213.0
October	110.9	106.6	108	125.0	166.5	3,160	212.8
November	111.0	107.2	110	127.8	183.9	3,145	215.2
December	110.2	107.4	114	126.7	224.9	3,119	210.0
1987							
1st qtr.	112.2	106.9		125.4	157.0	3,073	210.4
January	110.9	105.2	114	123.6	158.4	3,114	210.3
February	112.6	107.6	108	127.0	154.5	3,066	207.1
March	113.1	107.9		125.5	157.8	3,040	210.6
April				130.0	169.0	3,020	213.9
May				125.7			

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.8	102.7	113.4	103.2	112.6	103.3	15.6
1986							
1st qtr.	103.0	101.6	115.4	101.5	110.3	102.8	14.2
2nd qtr.	104.5	100.5	115.4	102.0	110.1	103.5	19.8
3rd qtr.	106.3	101.3	117.4	103.2	107.8	102.3	18.9
4th qtr.	107.8	102.7	115.8	105.2	115.8	104.0	15.3
September	106.4	102.1	116.8	104.0	108.0	102.0	19.4
October	106.8	102.7	116.8	105.0	113.0	104.0	19.3
November	109.0	102.4	116.1	105.0	117.0	106.0	15.9
December	107.6	102.9	114.8	106.0	118.0	102.0	10.7
1987							
1st qtr.	106.8	103.2	118.8	104.9	117.3	104.3	17.3
January	105.8	102.5	117.1	104.0	108.0	104.0	12.7
February	107.1	103.1	119.6	105.0	125.0	104.0	18.6
March	107.5	104.1	119.8	106.0	120.0	105.0	20.6
April							20.5

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,899	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	− 94	+772	102.6	19.20
3rd qtr.	122.6	138.5	−2,673	−931	+646	103.1	20.14
4th qtr.	130.5	143.4	−2,602	−756	+846	100.8	21.97
September	128.2	139.3	−831	−184	+258	102.3	22.43
October	127.0	139.6	−715	−100	+226	101.5	21.99
November	132.8	146.7	−1,000	−384	+354	100.9	22.01
December	131.6	143.9	−887	−272	+266	100.1	21.92
1987							
1st qtr.	131.6	133.2	−1,135	+665	+1,164	100.5	23.75
January	124.6	131.4	−517	+ 83	+383	100.2	21.85
February	138.4	138.0	−202	+398	+328	100.4	22.26
March	126.9	130.2	−417	+183	+454	100.8	27.04
April	130.8	137.1	−504	− 96	+419	102.4	29.81
May							34.68

FINANCIAL—Money supply M0, M1 and M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1986							
1st qtr.	4.1	21.4	19.3	+6,203	2,220	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	7,739	10.00
3rd qtr.	5.9	30.3	15.4	+6,096	168	8,223	10.00
4th qtr.	7.6	15.3	14.1	+10,531	2,814	8,178	11.00
September	6.6	34.3	17.8	+896	−671	2,870	10.00
October	6.3	19.1	14.5	+3,488	1,951	2,759	11.00
November	6.4	28.4	19.0	+3,847	160	2,635	11.00
December	10.1	0.6	9.1	+3,196	703	2,784	11.00
1987							
1st qtr.	1.2	20.6	20.1	+6,567	1,475	8,881	10.00
January	7.7	18.0	13.5	+1,699	456	2,695	11.00
February.	0.1	10.8	17.8	+2,878	472	2,948	11.00
March	−3.8	33.7	29.4	+1,990	547	3,238	10.00
April	5.8	20.9	33.1	+1,522	727	3,089	9.50
May							9.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100) retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.4	96.5	96.9	1,825	75.1
2nd qtr.	184.0	125.8	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,608	68.2
September	186.8	122.4	146.7	98.3	98.2	1,507	70.4
October	188.3	124.3	147.0	98.5	98.1	1,578	67.3
November	191.2	127.5	147.4	99.3	98.1	1,612	68.5
December	193.4	130.4	147.9	99.6	98.8	1,638	68.4
1987							
1st qtr	192.1	130.0	149.2	100.3	100.5	1,580	69.9
January	190.4	131.9	148.8	100.0	100.0	1,603	68.8
February	191.2	129.6	149.3	100.4	100.7	1,601	69.0
March	194.6	128.4	149.7	100.6	100.7	1,539	71.9
April		128.7	150.5	101.8	101.6	1,554	72.4
May		128.5	151.0	101.9	102.2	1,612	73.3

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

COMMODITIES AND AGRICULTURE

Tim Dickson assesses the EC's Farm Council president

Bitter struggle for Belgian brewer

LA MORTE SUBITE (sudden death) is the name of a small but famous Belgian brewery owned by the family of Mr Paul de Keersmaeker, the country's Agriculture Minister.

Not surprisingly, given the way this year's EC farm price talks have dragged on through three largely inconsequential meetings, observers have frequently expressed the wish that this dramatic name would inspire him to bring the negotiations to a speedy conclusion.

Mr de Keersmaeker is the current President of the European Farm Council. He has thus been responsible for finding a way through the thicket of opposition to the Commission's restrictive 1987-88 price proposals—notably the so-called accompanying measures on agri-monetary reform and the highly controversial oils and fats tax.

A gentle and mild-mannered man with a reputation for being hard working, his seemingly laid back and softly, softly approach during negotiations has been openly questioned by some member states in recent weeks, not least by the sometimes impatient French and the Dutch delegations.

Criticism has been levelled at Mr de Keersmaeker's alleged inability, until yesterday, to generate any real momentum in the talks and his consistent reluctance to step up the pressure on Ministers with a few tough all-night negotiating sessions.

To be fair to Mr de Keersmaeker, he suffers in this respect by comparison with his immediate predecessor Mr Michael Jobling, whose amazing stamina carried him through a marathon nine-day Farm Council last December and to ultimate success in the form of important beef and dairy reforms. Mr de Keersmaeker may like an early start to his day but he is well-known as someone who does not readily linger at the office in the evening.

A lawyer by training, he and his brother took over the family brewery, which produces popular varieties of the local Geueze and Kriek beers, when their father died. He first established himself in local politics in his home base of Kobbegem (Asse), roughly 10 kilometres from Brussels, where his position was described yesterday by one observer as "almost equivalent to the Lord of the Manor."

In the mid-1970s he was a member of the European Parliament, where he was an enthusiastic supporter of the principle of an oils and fats tax (or stabilisation mechanism) along the lines of the Commission proposal which he has been trying to defend over the last few months. He became Secretary of State for Agriculture and European Affairs in the centre-right coalition formed by Mr Wilfried Martens in 1981 and has remained in that post.

Mr Paul de Keersmaeker... gentle and mild mannered

Mr de Keersmaeker has retained close contacts with local and European agricultural organisations, though his passion for golf does not go down well with local farmers. Several new courses planned on the outskirts of Brussels have run into stiff opposition from lobbies anxious about this use of steadily diminishing land.

In an interview before this year's farm price discussions got under way seriously, Mr De Keersmaeker made clear his appreciation of the anxiety of West German farmers and his expectation that the proposals to reform the system of monetary compensatory amounts (MCAs)—implying further cuts in guaranteed D-Mark prices—would be fiercely resisted. He was also aware that farming lobbies—and hence some Ministers—felt that they had swallowed enough unpalatable medicine for one year after the milk quota cuts and reductions in beef price supports under the British Presidency.

Arguably that achievement and the wider international and budgetary issues raised by the oils and fats tax and the MCA reforms have made these negotiations particularly difficult ones to handle. The critics, on the other hand, say that this year should have been easier, with the milk and beef questions already effectively out of the way and the stumbling blocks at least clearly identified at an early stage.

It would, however, be foolish to write him off just yet. As chairman of the Farm Council for the first time in 1982, he appeared to be going nowhere until the Belgian Presidency courageously introduced the principle of majority voting for the first time. That tactic outmanoeuvred no less a figure than Mr Peter Walker, a formidable defender of British farming interests.

October launch for Malaysian tin futures

By Wong Sulong in Kuala Lumpur

THE KUALA Lumpur Commodities Exchange has decided on an October launch for its tin futures contract after having sorted out all outstanding operational problems.

The date for the launch is expected to be announced formally by Mr Alias Ali, the new Deputy Minister of Primary Industries, when he makes his first official visit to the KLCE today.

According to the KLCE, the tin contract will be in US dollars to ensure wider foreign acceptability and participation.

The Malaysian Central Bank has given its approval for KLCE members to open US dollar accounts with commercial banks for the purpose. Traders will still have to apply individually to the central bank for approval, however, and the Bank will set limits for these accounts on a case by case basis.

The other operational problem that has been resolved is the designation of warehouses. The KLCE will use the same warehouse currently used by the Kuala Lumpur Tin market. The KLTM deals in physical tin.

● Malaysia's only deep lode mine, the Sungei Lembing mine in Phang State, is set to close down permanently, a victim of depressed prices and exhaustion of good grade tin.

For the past year, the 700-odd mine workers have been lobbying politicians to save the mine, but their hopes were dashed when Malaysia Mining Corporation abandoned a rescue plan because it failed to obtain sufficient concessions from the federal and state governments.

Ivorian cocoa record forecast

BY PETER BLACKBURN IN ABIDJAN

THE IVORY COAST, the world's biggest cocoa producer, expects a record crop for the third successive season, according to Mr Denis Bra Kanon, the Agriculture Minister.

Mr Bra Kanon, who was addressing a rural development seminar chaired by President Felix Houphouet Boigny, gave no figures. Last season, however, the Ivory Coast produced 580,000 tonnes of cocoa and Gill & Dufus, the influential London trader, has forecast 590,000 tonnes for 1986-87.

The Government had previously been forecasting a smaller crop of around 500,000 tonnes because of low rainfall. Mr Bra Kanon urged cocoa farmers to improve productivity and quality rather than extend cocoa plantations. He said it was unnecessary to cut down any more of the country's rapidly diminishing forests in order to plant more cocoa.

Farmers could greatly improve productivity, however. Average Ivorian cocoa yields of 400 kg per hectare are only about one-fifth of those obtained on the new plantations in South East Asia, traders say.

A "normal" coffee crop is forecast this season, Mr Bra Kanon added. This is interpreted by analysts as being similar to last season's crop of 280,000 tonnes, although traders have been forecasting a drop of around 60,000 tonnes.

Mr Bra Kanon stressed the need to improve coffee quality, pointing out that the country losses about $165m a year due to the harvesting of non-saleable black coffee cherries. The country's coffee factories will be equipped to test the quality of delivered cherries and offenders will be penalised from next season, he warned.

The need to renew ageing plantations and raise productivity in order to enable the Ivory Coast to retain its world market share was also stressed by Mr Bra Kanon. High yield coffee stumps worth some $9m are being distributed free to coffee farmers, he said.

Mr Bra Kanon criticised coffee farmers, especially in the east and south west, for not participating in the coffee pruning programme. Only 1,600 ha out of a target of 15,000 ha of aged plantations were pruned this season.

President Houphouet Boigny earlier announced that cocoa and coffee producer prices will be maintained next season. The announcement is regarded as politically significant as it comes despite that fact that the Caisse de Stabilisation, the state commodity marketing agency, is expected to record a deficit of $330m this year because of low world commodity prices.

The Government last month announced that it was suspending debt payments because of a financial crisis caused by the collapse in cocoa and coffee prices, which account for about 60 per cent of the country's export earnings.

CME plans to trade silver futures

BY DAVID OWEN IN CHICAGO

THE CHICAGO Mercantile Exchange, the world's second largest futures exchange, will shortly file for regulatory approval to trade a silver futures contract, according to exchange officials.

The move follows a similar announcement last month by its arch-rival, the Chicago Board of Trade, and comes in the wake of the recent well-publicised trade processing problem at New York's Comex. Both proposed Chicago contracts are expected to be directly competitive with the established Comex product.

The CME views the putative silver contract as complementary to its revived gold futures pit, where trading got off to an unexpectedly brisk start on Tuesday with over 10,400 contracts changing hands. This compared with estimated gold futures volume of 38,000 lots at Comex, as precious metals prices fell across the board.

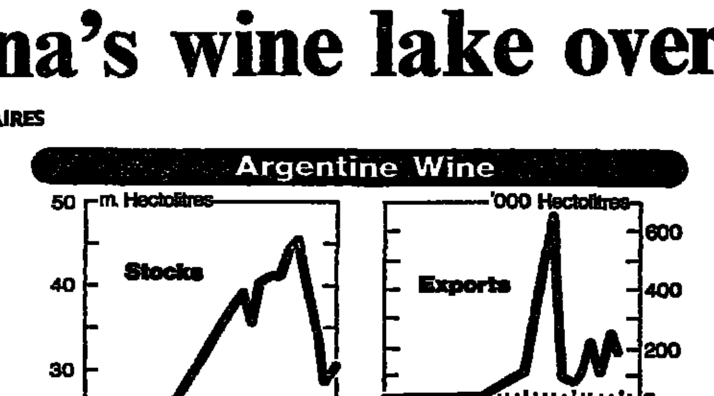
While interest in the CME launch was probably heightened by a quieter than average day elsewhere in the exchange, the pace appeared to be maintained in early trading yesterday, with volume reaching an estimated 6,500 lots by mid-morning.

"We had strong participation from institutional as well as local traders," said Mr Leo Melamed of the CME. "We know that while we have an uphill fight to establish ourselve in this market."

Argentina's wine lake overflows

BY TIM COONE IN BUENOS AIRES

IF ASKED to name the half-dozen principal wine-producing countries in the world, even a moderately knowledgeable wine connoisseur would probably leave one country off the list—Argentina.



It is one of those surprising statistical facts, to be pulled out when after-dinner conversation begins to lag over the wine glasses, that some 45,000 Argentinian vineyards each year produce some 2m to 3m tonnes of grapes to be pulped and fermented into some 20m to 25m hectolitres of wine, or between 7 and 8 per cent of the world total. It is one of Argentina's main industries.

The grape-picking season has just come to a close and the country is once again awash with wine. The problem for Government and growers alike is what to do with it all, for Argentina's 30m population, although big consumers, are not the Bacchanalian revellers they once were.

Neither is Argentina a significant exporter of wine, hence its relative obscurity as a wine-producing nation and the absence of Argentine wines from European supermarket shelves and dinner tables.

Mr Juan Zapata, an economist and one of Argentina's leading specialists on the wine industry, says that the Argentine palate is changing. The younger generations are consuming less wine, with less alcohol content, while beer and soft drinks, and mineral waters are increasing in popularity. "Surplus stocks this year are some 12m hectolitres, or about 60 per cent of one year's consumption," he said.

The first vines were planted in Argentina over 400 years ago, practically with the beginning of the Spanish colonisation, establishing a wine industry which was to become the economic base of the provinces Mendoza and San Juan, and which continues to this day.

The present overproduction problems, however, are due to a major expansion in vine planting in the late 1960s and 70s. Plantations grew from 250,000 hectares to 350,000 hectares in the space of 15 years, stimulated by central and local government tax incentives and a generalised economic policy of import substitution.

But just as production capacity reached its peak in 1977 local demand—on which the producers depend for 98 per sent of their sales—began a steady decline which shows no sign of being reversed. In the past 10 years per capita consumption of wine has dropped by a third from its peak of 92 litres per annum to only 59 litres last year, the lowest level in over 30 years.

The decline in demand has resulted in a steady growth in stocks since the late 1970s, and the need for increased storage capacity. Storage now exists for almost three years' production.

Argentine wines are mostly common table wines produced from inferior grape species. The industry grew as a protected market without any special reference to quality considerations, so that very dry and somewhat acid wines have come to dominate the local taste.

This has created a quality problem, inhibiting the development of an export market already well staked out by the traditional exporters in Europe. Those classified as "fine" wines make up less than 15 per cent of total production, and of these, only some 200,000 to 300,000 hectolitres find their way into the export market, mostly in the US or Brazil.

Mr Zapata claims that Argentine wines can compete internationally, citing export figures of almost 700,000 hectolitres in 1978. "The export market is an investment though, which can be quickly lost through fluctuating exchange rates, which have affected all Argentinian exports, and high raw material costs."

He blames the Government for the lack of a clear export policy and over-regulation of the sector, which prevents the development of new products such as "wine-coolers"—mixes of wine with fruit juices which have caught on in the US market.

Some changes are underway though. Growers are being encouraged to move out of monoculture vine production, which predominates in many areas, and into stone fruit and vegetable production, aimed at the South American export market and out-of-season sales to Europe. Secondly, a scheme whereby Government stocks, and those retained by producers under a government quota system which restrains sales onto the market, will be used to finance an uprooting programme to either aid the grower out of vine production altogether or to replant, or graft with better varieties, which can produce wines of export quality.

Growers who participate in the plan will receive wine from stocks over two to three years equivalent to what they would have produced, and which they can sell on the market. In the past year the Government has also begun introducing an export bias into its economic policy, which although aimed primarily at industrial products may also soon begin benefiting the wine growers.

This is considered a better solution to the problem than compulsory distillation or simply pouring the surplus wine away, methods used at various times in other parts of the world. One novel suggestion, made in all seriousness, has been for farmers to use it as a mildly effective pesticide. Despite the Argentine propensity for dry, acid wines it is a proposal which horrifies local connoisseurs — "an unjust reflection on the many good wines that are produced here," said one.

LONDON MARKETS

COCOA PRICES on the London futures market built on Tuesday's rally yesterday with the September position gaining another £6 to £1,260.50 a tonne. Dealers said concern over dry conditions in West Africa remained a leading market feature although thunder storms had been forecast for central and western Ivory Coast growing regions. Currency was another factor, they said, as was continued support buying on behalf of the International Cocoa Organisation's buffer stock. September futures have now recovered by nearly £50 from the four-year low reached on Monday, while the rally in the prompt July position has been further enhanced by an apparent supply squeeze. July cocoa advanced by £10 a tonne yesterday to £1,284.50 a tonne. Price movements on the London Metal Exchange were generally limited to a few pounds as sterling's early losses against the dollar were regained. The biggest mover was aluminium with high grade metal closing $7 down at $1,569.50 a tonne and standard grade £6 down at £908 a tonne. The market's easiness was attributed in part to news that Alcan was restarting a potline at its Sebree smelter in Kentucky. Dealers observed that if other smelters emulated the Alcan move the supply tightness which is underpinning present price levels could soon disappear.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or −	High/Low
Cash	—	—	—
3 months	1569-70	−7	1573/1566

Official closing (am): Cash —— (——), three months 1,571-5 (1,576-7), settlement —— (——). Final Kerb close: 1,575-7. Turnover: 2,200 tonnes.

99.5% purity	£ per tonne	+ or −	High/Low
Cash	907-9	−6	—
3 months	897-8	−2	902/897

Official closing (am): Cash 910-1 (914-5), three months 900-1 (897-8), settlement 911 (915). Final Kerb close: 903-904. Turnover: 18,800 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or −	High/Low
Cash	975-6	−0.5	984/983
3 months	957-8	−0.25	965/956

Official closing (am): Cash 983-4 (976-6.5), three months 963.5-4 (957-7.5), settlement 984 (976.5). Final Kerb close: 956-956.5.

Standard			
Cash	966-7	−1.25	973
3 months	936-7	+3.5	—

Official closing (am): Cash 973-5 (960-5), three months 943-4 (932-4), settlement 975 (965). US Producer prices 74-78.5 cents a pound. Total Turnover: 30,880 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	368-9	−4	370
3 months	351-2	−3	358/347

Official closing (am): Cash 369-70 (372-3), three months 353.5-4 (354-5), settlement 370 (373). Final Kerb close: 350.5-351. Turnover: 8,550 tonnes. US Spot: 24-37 cents a pound.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or −	High/Low
Cash	2779-85	+3.5	—
3 months	2814-8	−1	2835/820

Official closing (am): Cash 2,795-800 (2,775-80), three months 2,825-6 (2,809-10), settlement 2,800 (2,780). Final Kerb close: 2,795-2,815. Turnover: —— tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	551-3	−5	557/556
3 months	525-6	−6.25	532/523

Official closing (am): Cash 557-8 (553-4), three months 527-8 (531-1.5), settlement 558 (554). Final Kerb close: 523-524. Turnover: 8,700 tonnes. US Prime Western: 47.5-48.5 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—

		Calls July	Calls Sept.	Puts July	Puts Sept.
Aluminium 99.5%	1,475	—	41	23	53½
	1,500	26	30	34	66
	1,525	16	22	—	—
Copper (Grade A)	1,575	—	40	38	54
	1,600	26½	29	40	69
	1,625	17½	21½	—	—
Copper (Grade A) £/tonne	950	—	32½	10½	23½
	975	18½	20½	20½	36½
	1000	9	14	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.60 (16.59) ringgit per kg. Up 0.1.

SILVER

Silver was fixed 8.75p an ounce lower for spot delivery in the London bullion market yesterday at 458.3p. US cent equivalents of the fixing levels were: Spot 747.5c, down 19.4c; three-month 761c, down 19.4c; six-month 774.4c, down 19.8c; and 12-month 803c, down 21.1c. The metal opened at 459-462p (747-751c) and closed at 461-464p (754-758c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	458.30p	−8.75	459.0p	−8.5
3 months	468.50p	−8.70	469.0p	−8.5
6 months	478.20p	−8.55	—	—
12 months	498.05p	−8.85	—	—

LME—Turnover: 21 (5) lots of 10,000 ounces.
Final kerb close: 468-70p.

INDICES

REUTERS

June 17	June 16	M'th ago	Year ago
1617.9	1620.2	—	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 16	June 15	M'th ago	Year ago
Spot	129.89	130.73	—	124.18
Fut	127.57	128.62	—	115.31

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	June 17 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1585/605	−85	$1500/82
Copper			
Cash Grade A	£975.5	−0.5	£907
3 months	£957.5	−0.25	£884.75
Gold Troy oz	$452.25	−0.50	$470
Lead Cash	£368.5	−4.0	£444.5
3 months	£351.5	−3.0	£386.5
Nickel			
Free Mkt.	207/227c		203/213c
Palladium oz	$139.0	+0.5	$151.25
Platinum oz	$570	−13.25	$619.50
Quicksilver†	$250/260		$295/275
Silver troy oz.	458.30p	−8.75	540.55p
3 months	468.50p	−8.75	551.60p
Tin			
free Mkt.	£4120/150		£4090/120
Tungsten	$58.15		$61.47
Wolfram 22.01lb	$48/55		$50/56
Zinc	£552	−5	£502.5
3 months	£525.75	−6.25	£497.5
producers	$842		$790/840
OILS			
Coconut (Phil)	$465z	−10	$410
Palm Malayan	‡		$345
Seeds			
Copra (Phil)	$295y	+4.5	$285
Soyabean (U.S.)	$162.5	+8	$146
GRAINS			
Barley Fut. Sept	£97.00		£98.30
Maize	£153.00		£149.00
Wheat Fut. Sept	£99.75	+0.15	£122.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1260.5	+6.0	£1268.5
Coffee Ft. Sept	£1289	+0.5	£1331
Cotton A Ind.*	81.00c	−1.25	76.85c
Gas Oil Aug.	$158.50	+0.25	$153
Rubber (kilo)	63.5p	+1.0	63p
Sugar (raw)	$174x		$177
Wooltops 64s	467p kilo		461p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v July. z June/July. x July/Aug. y Aug.

GOLD

GOLD BULLION (fine ounce) June 17

Close	$452-452½	(£276¼-276¾)
Opening	$447¾-448¼	(£275¼-275¾)
M'n'g fix	$448.35	(£274.261)
Aft'n'n fix	$451.35	(£276.163)
Day's high	$452½-453	—
Day's low	$447¼-447¾	—

GOLD AND PLATINUM COINS

Am Eagle.	$463-468	(£283½-286½)
Mapleleaf	$464-467	(£284-285¾)
Kr'g'r'nd.	$452-455	(£276¾-278½)
½ Krug	$235-236	(£143¾-144½)
¼ Krug	$117½-118½	(£71¾-72½)
Angel	$461½-464½	(£282½-284¼)
1/10 Angel	$44½-49½	(£27¼-30¼)
New Sov.	$105-106	(£64¼-64¾)
Old Sov.	$105½-107	(£64½-65½)
Noble Plat	$595-603	(£365-369¼)

COFFEE

Report of cooler weather in Brazil prompted a slight rally on the opening, as light short covering ran the market some £20 higher, reports Drexel Burnham Lambert. As the morning wore on the weather news appeared to be discounted and despite constant price-fixing levels fell back to yesterday's close.

Futures traded within a £13 range, closing slightly above the previous close, manufacturer activity was confined to price-fixing with origin participation only taken, reports Gill and Duffus.

COFFEE	Yesterday close	+ or −	Business done
July	1265-1268	+0.5	1288-1262
Sept	1289-1290	+0.5	1309-1285
Nov.	1301-1305	−5.0	1326-1305
Jan	1327-1330	+1.5	1348-1327
Mar.	1345-1355	—	1365-1347
May	1360-1370	+2.5	1380-1375
July	1360-1380	−5.0	—

Sales: 2,995 (4,088) lots of 5 tonnes. ICO indicator prices (US cents a pound) for June 16. Comp. daily 1979 101.59 (102.78); 15-day average 105.93 (106.56).

COCOA

ICCO indicator prices (SDRs per tonne). Daily price for June 17 1,566.27 (1,552.94); 10-day average for June 18 1,520.09 (1,516.16).

	Yesterday's close £ per tonne	+ or −	Business done
July	1284-1285	+10.0	1285-1275
Sept	1260-1261	+6.0	1265-1252
Dec	1280-1281	+6.0	1287-1274
March	1301-1302	+6.0	1307-1297
May	1318-1319	+4.5	1328-1317
July	1336-1337	+4.5	1338-1336
Sept	1352-1353	+1.0	1364-1352

Sales: 3,663 (3,877) lots of 10 tonnes.

FREIGHT FUTURES

The market was under pressure for most of the day, with moderate selling around support areas. Gulf/Japan was reported fixed at 14.50 which saw another attack on the downside. Short positions on the day were quickly covered towards the close ending just off the highs, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	861	852/837	846
Oct.	915	925/915	930
Jan.	924	924/915	925/927
Apr.	980	980/980	990
July	—	—	825/880
Oct.	—	—	905
Jan.	—	—	950
April	—	—	980
BFI.	960.5	—	996

Turnover: 198 (203).

GRAINS

Old crop wheat steadied fractionally on lack of offers, while new crops firmed after early losses on farm price speculation, reports T. G. Roddick.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: July and Aug 94.50, Sept 94.75. US No 2 Soft Red Winter: July 86.75, Aug 88.00, Sept 90.00. French 11½-12 per cent: June 143.00. English feed, fob: July 122.0 seller, Sept 101.00-102.00 buyer/seller, Oct/Dec 105.00, Jan/March 109.00 buyers. Maize: US No 3 Yellow/French, transhipment East Coast: Spot 156.00. Barley: English feed, fob: Aug 99.00, Sept 100.00 sellers, Oct/Dec 102.50-103.50, Jan/March 106.50-107.50 buyer/sellers. Rest unquoted.

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
July	118.10	+0.15	—	—
Sep.	99.75	+0.15	97.00	—
Nov.	102.00	+0.15	99.40	—
Jan.	104.80	+0.20	101.80	—
Mar.	107.05	−0.15	104.00	+0.05
May	109.80	+0.20	105.90	+0.10
July	111.85	+0.10	—	—

Business done—Wheat: July 118.10-8.00, Sept 99.60-9.50, Nov 102.00-1.80, Jan 104.80-4.55, March untraded, May untraded, July 118.00 only. Sales: 130 lots of 100 tonnes. Barley: Sept untraded, Nov 99.40-9.30, Jan 101.80-1.70, March untraded, May untraded. Sales: 32 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: N. East 103.50. The UK monetary coefficient for the week beginning Monday June 22 will remain unchanged.

US MARKETS

IN LACKLUSTRE trading, precious metals once again followed the US dollar, reports Drexel Burnham Lambert. Trade and commission house selling in both the gold and silver, fund selling in the platinum eased prices in early trading before rade short-covering touched of commission house buying in gold, trade scale down buying in platinum and silver caused the markets to close lower on the day, but above support levels. Crude oil futures eased in light volume on trade selling, but the trade emerged to support the market later on in the session. After an initial steady opening, sugar fell on commission house selling, but trade buying at the lows caused short-covering as the market closed higher on the day. Cocoa also eased from a strong opening on speculative and local selling, coffee remained under pressure throughout the day from trade and local selling. Cotton fell as the trade emerged as a seller, but the market held support to recover on local short-covering. Commercial selling across the board in the grains and soyabean complex eased prices in conjunction with speculative long-liquidation as the markets reacted to forecasts of increased precipitation in US growing areas. The physical markets were quiet with few reports of significant export activity or movement. The meats were quiet. Cattle firmed in response to steadier cash prices. In both the pork bellies and hogs, prices firmed on expectations of higher cash prices.

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
June	74.95	74.90	—	—
July	73.15	73.10	—	—
Aug	71.35	71.25	—	—
Sept	70.80	70.60	—	—
Dec	70.20	69.90	—	—
Jan	70.20	69.90	—	—
March	70.20	69.90	—	—
May	70.20	69.90	—	—

COCOA 10 tonnes, $/tonne

	Close	Prev	High	Low
July	1883	1868	1900	1865
Sept	1913	1898	1923	1900
Dec	1928	1920	1940	1921
March	1960	1952	1970	1960
May	1985	1982	1995	1995
July	2015	2010	—	—
Sept	2045	2040	2051	2050

COFFEE "C" 37,500 lbs, cents/lb

	Close	Prev	High	Low
July	105.10	106.78	108.25	105.10
Sept	107.36	108.65	110.40	107.15
Dec	110.39	111.61	112.95	109.90
March	112.65	113.75	114.50	112.50
May	114.51	115.51	116.00	114.50
July	117.00	117.61	117.60	116.50
Sept	118.01	118.51	118.50	118.50

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
June	70.00	70.80	70.00	70.00
July	70.00	70.80	70.75	69.60
Aug	69.75	70.40	—	—
Sept	69.50	69.95	70.15	69.00
Dec	68.70	69.30	69.30	68.35
Jan	68.60	69.20	—	—
March	68.40	69.00	69.00	68.30
May	68.45	69.05	—	—
July	68.45	69.05	68.65	68.60
Sept	68.50	69.10	—	—
Dec	68.75	69.35	—	—
Jan	68.80	69.40	—	—
March	69.00	69.60	—	—

COTTON 50,000 lbs, cents/lb

	Close	Prev	High	Low
July	75.10	75.82	76.70	75.10
Oct	71.60	72.85	73.25	71.65
Dec	69.50	70.99	71.45	69.50
March	70.50	71.48	72.00	70.50
May	71.75	71.95	72.50	71.65
July	71.50	72.00	71.75	71.50
Oct	67.50	67.60	67.90	67.40

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
July	20.39	20.27	20.45	20.25
Aug	19.88	19.67	19.94	19.78
Sept	19.63	19.68	19.73	19.57
Oct	19.51	19.58	19.61	19.47
Nov	19.42	19.50	19.52	19.40
Dec	19.36	19.43	19.45	19.35
Jan	19.35	19.37	19.40	19.32
Feb	19.27	19.31	19.35	19.25
March	19.21	19.26	19.21	19.20
April	19.15	19.21	19.15	19.15

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
July	52.70	52.55	52.90	52.35
Aug	53.05	52.98	53.30	52.75
Sept	53.70	53.61	53.85	53.45
Oct	54.45	54.30	54.60	54.15
Nov	55.05	54.95	55.05	54.80
Dec	55.65	55.68	55.75	55.40
March	54.50	54.25	54.50	54.50

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
June	447.8	447.9	453.0	447.5
July	448.9	449.2	—	—
Aug	451.8	451.9	457.0	451.0
Oct	457.1	457.2	463.0	456.7
Dec	462.4	462.5	468.0	461.3
Feb	468.0	468.1	472.3	468.5
April	473.6	473.7	478.0	474.0
June	479.5	479.6	484.0	480.0
Aug	485.7	485.8	—	—
Oct	492.0	492.1	491.0	491.0
Dec	498.3	498.4	503.5	498.0
Feb	504.7	504.8	509.0	505.0

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
July	133.05	133.35	133.45	133.05
Sept	127.55	127.95	128.00	127.45
Nov	123.20	124.25	123.85	123.20
Jan	123.00	123.10	123.00	122.25
March	122.00	123.10	122.75	122.25
May	122.00	123.10	—	—
July	122.00	123.10	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	—	587.8	—	—
July	570.6	576.7	577.0	565.0
Aug	—	581.6	—	—
Oct	578.8	584.7	586.5	573.0
Jan	586.0	591.4	590.0	582.5
April	592.8	598.2	596.0	596.0
July	600.1	605.5	600.0	597.5

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
June	743.4	749.9	755.0	753.0
July	745.0	752.0	760.0	741.0
August	749.8	756.8	—	—
Sept	754.9	762.0	770.0	751.0
Dec	769.5	777.0	785.0	765.0
Jan	774.5	782.0	—	—
March	784.4	792.0	799.0	780.0
April	—	—	—	—
May	794.7	802.5	802.0	802.0
July	805.5	813.5	810.0	810.0

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	Prev	High	Low
July	6.72	6.69	6.57	6.71
Sept	7.05	6.97	7.23	7.05
Oct	7.15	7.13	7.25	7.14
Jan	7.32	7.30	—	—
March	7.56	7.55	7.68	7.56
May	7.71	7.71	7.75	7.71
July	7.84	7.82	7.94	7.93
Oct	8.03	8.00	8.08	8.06

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	68.85	68.80	68.90	68.45
August	63.40	63.25	63.55	63.07
Oct	61.65	61.70	62.00	61.55
Dec	63.75	63.65	63.95	63.50
Feb	64.37	64.05	64.65	64.10
April	65.00	64.97	65.10	64.70
June	64.45	64.60	64.48	64.30

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	62.17	62.27	62.75	61.75
July	57.97	58.45	59.20	57.75
August	52.87	53.30	54.25	52.70
Oct	44.60	44.75	45.20	44.20
Dec	44.40	44.57	45.20	44.30
Feb	43.60	43.85	44.15	43.50
April	41.10	41.10	41.45	41.05
June	43.00	43.15	43.10	42.65
July	42.85	42.90	42.85	42.80

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	Prev	High	Low
July	197.4	202.2	199.0	195.2
Sept	203.0	207.2	204.4	200.4
Dec	210.4	214.6	211.4	207.2
March	217.6	221.4	219.0	214.4
May	220.4	223.0	220.6	217.6
July	221.6	224.0	222.0	219.4
Sept	219.4	221.4	219.4	218.4

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	75.65	76.75	77.90	75.45
August	73.12	74.52	75.70	73.05
Feb	60.70	60.87	61.87	60.55
March	59.95	60.35	61.20	59.95
May	61.35	61.40	62.00	61.10

SOYABEANS 5,000 bu min— cents/60lb-bushel

	Close	Prev	High	Low
July	582.0	598.0	592.0	576.4
August	588.4	603.6	599.0	581.5
Sept	594.4	607.0	604.0	587.0
Nov	603.4	617.0	611.0	595.0
Jan	613.0	626.4	620.0	604.0
March	623.0	634.4	628.0	613.0
May	629.4	643.2	635.0	621.0
July	630.4	644.0	634.0	622.4
August	626.0	640.0	631.0	622.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	186.5	190.2	188.5	183.8
August	185.2	189.7	187.0	182.3
Sept	185.5	191.5	188.0	182.5
Oct	185.5	191.2	188.0	183.0
Dec	188.5	194.0	191.0	185.0
Jan	189.0	194.2	191.0	185.5
March	192.0	197.7	194.0	189.0
May	191.0	197.7	193.0	190.0
July	192.0	197.7	193.0	190.0
August	192.0	197.7	191.0	192.0

SOYABEAN OIL 60,000 lb, cents/lbs

	Close	Prev	High	Low
July	16.89	17.11	17.08	16.73
August	17.12	17.33	17.32	16.93
Sept	17.30	17.56	17.50	17.14
Oct	17.52	17.75	17.65	17.33
Dec	17.86	18.13	18.13	17.70
Jan	18.00	18.21	18.20	17.80
March	18.25	18.57	18.50	18.10
May	18.26	18.57	18.50	18.10
July	18.70	19.05	18.60	18.70

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
July	266.0	272.2	269.0	264.0
Sept	273.0	277.4	276.0	271.4
Dec	280.0	287.2	285.4	279.0
March	283.4	290.0	288.4	282.2
May	279.0	283.4	281.0	277.4
July	270.0	273.0	275.0	270.0

SPOT PRICES—Chicago loose lard 14.50 (same) cents per pound. New York tin 312.0-17.0 (311.0-18.0) cents per pound. Handy and Harman silver bullion 749.5 (760.50) cents per troy ounce.

POTATOES

The market was intially firmer but this was shortlived as selling interest emerged just below £131.00 basis April with subsequent easing back to only 30p up by lunch. The afternoon saw slight increase in values, but volume was poor with bulk of turnover due to large cross trading by one broker, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	90.80	90.40	91.00
Feb.	99.00	99.00	—
Apr.	130.20	129.50	130.70-130.00
May	143.50	143.30	—

Sales: 256 (151) lots of 40 tonnes.

PARIS—(FFr per tonne): Aug 1128-1131; Oct 1156-1160; Dec 1174-1180; March 1221-1225; May 1248-1260; Aug 1575-1595.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.25-17.30	—
Brent Blend	18.90-18.95	+0.075
W.T.I. (1pm est)	20.35-20.40	+0.020
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	198-200	−1.5
Gas Oil	155-157	+3.0
Heavy fuel Oil	109-111	−0.5
Naphtha	169-171	—

Petroleum Argus estimates.

SOYABEAN MEAL

A weak day caused beneficial rains in the major soyabean growing areas of America. Scale-down commercial buying against further profit-taking and selling, reports Muirpace.

	Yestord'ys close £ per tonne	+ or −	Business done
June	—	—	—
August	138.5-139.9	−2.80	140.0-139.0
October	138.5-139.9	−2.80	—
Dec	139.0-140.8	−3.00	141.5-139.5
Feb	142.0-143.5	−3.50	—
April	145.0-145.0	−3.25	—
June	142.0-146.0	−3.50	—

Sales: 196 (327) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $174.00 (£106.40) a tonne for July/Aug delivery.

No. 6 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Aug	153.20-153.4	151.0-151.4	155.20-151.2
Oct	160.00-160.6	158.4-159.6	160.00-158.2
Dec	164.80-166.6	162.4-163.4	165.60-165.4
Mar.	169.00-170.0	168.2-168.8	170.60-169.4
May	172.80-175.2	171.6-171.8	172.00-
Aug	176.00-177.2	174.6-175.8	—
Oct	177.40-179.4	176.0-177.8	—

Sales: 1,852 1,067) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £210.50 a tonne for export.

International Sugar Agreement—(US cents a pound fob and stowed Caribbean ports). Price for June 8: Daily price 6.50 (6.57); 15-day average 6.40 (same).

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or −	Business done
July	156.25	—	159.75-53.50
Aug	158.50	+0.25	158.00-57.50
Sept	160.75	+0.25	161.00-60.50
Oct	162.75	−0.25	165.00-62.75
Nov	165.00	—	165.00

Turnover: 2,048 (1,731) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened about unchanged, found little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 63.50p (62.50p), July 62.50 (same). Aug 62.25p (same). Kuala Lumpur fob prices (Malaysian/Singapore cents) per kg: RSS No 1 246.0; SMR 20 210.0.

MEAT

Average all pigs price: 102.12p per kg dw.

FUTURES—Pigs: June 99.80, Aug 96.50, Oct 101.80, Nov 102.70. Sales: 7. Live Cattle: June 98.00, Aug 98.00. Sales: Nil.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar in narrow range

THE DOLLAR finished below its best levels in currency markets yesterday despite a small upward revision in first quarter GNP figures. While most traders saw the dollars short term potential as testing higher resistance levels, some dealers were starting to become anxious since any rise in the dollar's value would merely increase the competitive edge of Japanese exports.

Bearing in mind the absence of any clear turnaround in the US trade deficit and more specifically the continued imbalance in trade between the US and Japan, there were suggestions that a significant rise in the dollar would not be welcomed.

US gross national product figures for the first quarter of 1987 rose by 4.8 per cent after removing the impact of inflation, up from an earlier estimate of a 4.4 per cent increase. The real net increase in exports and services was upgraded to $14.3bn instead of $10.8bn. At the same time exports increased by $10.9bn in the first quarter which was down from $14.6bn in the fourth quarter of last year. Inflation as measured by the implicit price deflator rose by 4.2 per cent in the first quarter, unchanged from previous estimates.

Other statistics released showed a fall of 3.9 per cent in US corporate profits in the first quarter, the largest fall since the start of 1986. In addition, manufacturing capacity use rose in May to 80.2 per cent from 79.9 per cent.

Against the D-Mark the dollar finished at DM 1.8265 from DM 1.8260 and Y144.65 compared with Y144.40. Elsewhere it ended at SFr 1.5180 from SFr 1.5205 and FFr 6.0950 compared with FFr 6.0975. On Bank of England figures, the dollar's exchange rate index was unchanged at 101.9.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. May average 1.6665. Exchange rate index 73.0 against 72.8 at the opening and 73.1 on Tuesday. The six-month ago figure was 69.0.

The pound recovered from early lows to finish little changed from Tuesday's levels. Demand for sterling appeared during the morning with dealers suggesting that there was some overseas demand but nothing like on the scale that had been envisaged previously.

The Bank of England's apparent determination to keep the pound below DM 3.00 was one of the factors limiting the upside potential. At the same time many speculators remained on the sidelines ahead of today's release of industrial production, money supply, average earnings and unemployment figures.

The pound closed at $1.6335 from $1.6350 and DM 2.9825 compared with DM 2.9850. Against the yen it was quoted at Y236.25 from Y236.0. Elsewhere it finished at SFr 2.48 from SFr 2.4850 and FFr 9.9550 against FFr 9.97.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. May average 140.55. Exchange rate index 220.9 against 210.6 six months ago.

The yen lost ground against the dollar in Tokyo but finished above the day's lows. The dollar closed at Y145.10 up from Y144.70 in New York and Y143.95 in Tokyo on Tuesday. The US unit met considerable selling as it moved above Y145 but many dealers were sure that it would soon move up further to Y147.

However, in the absence of any fresh economic news, there was unlikely to be any renewed push just yet. The release after the close in Tokyo of US GNP first quarter second revision was not seen as a factor likely to cause much movement.

£ IN NEW YORK

June 17	Latest	Previous Close
£ Spot	1.6305-1.6315	1.6290-1.6300
1 month	0.24-0.23 pm	0.26-0.24 pm
3 months	0.65-0.62 pm	0.67-0.64 pm
12 months	1.86-1.76 pm	1.75-1.60 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	June 17	Previous
8.30 am	72.8	72.9
9.00 am	72.8	73.0
10.00 am	72.9	72.9
11.00 am	73.0	73.0
Noon	73.0	73.2
1.00 pm	73.0	73.1
2.00 pm	73.0	73.2
3.00 pm	73.0	73.1
4.00 pm	73.0	73.1

CURRENCY RATES

June 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.695620
U.S. Dollar	5.5	1.2830	1.13525
Canadian $	7.90	*	1.52181
Austrian Sch.	4	N/A	14.5993
Belgian Franc	7¾	"	43.0629
Danish Krone	7	"	7.81621
Deutsche Mark	3.0	"	2.07751
Neth. Guilder	4½	"	2.34032
French Franc	9½	7.8409	6.93412
Italian Lira	11.5	N/A	1499.95
Japanese Yen	2½	186.03	164.384
Norway Krone	8	N/A	7.62833
Spanish Peseta	—	"	144.063
Swedish Krona	7½	"	7.22134
Swiss Franc	3.5	"	1.72502
Greek Drach.	20½	"	155.416
Irish Punt	—	"	0.775710

*C$/SDR rate for June 16: 1.72707

CURRENCY MOVEMENTS

June 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.0	−20.5
U.S. Dollar	101.9	−5.1
Canadian Dollar	77.2	−11.3
Austrian Schilling	137.5	+10.2
Belgian Franc	99.9	−4.5
Danish Krone	92.4	+3.3
Deutsche Mark	146.6	+21.4
Swiss Franc	172.2	+20.1
Guilder	134.7	+14.2
French Franc	71.4	−13.0
Lira	47.2	−18.2
Yen	220.9	+64.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

June 17	£	$
Argentina	2.8005-2.8140	1.7150-1.7220
Australia	2.2630-2.2660	1.3840-1.3850
Brazil	67.7825-68.1640	41.5080-41.7160
Finland	7.2260-7.2385	4.4210-4.4240
Greece	220.90-224.70	135.90-138.20
Hong Kong	12.7550-12.7540	7.8055-7.8065
Iran	117.40*	71.00*
Korea (Sth)	1317.20-1329.10	809.20-815.80
Kuwait	0.45790-0.45850	0.28045-0.28065
Luxembourg	61.80-61.90	37.80-37.90
Malaysia	4.1065-4.1170	2.5160-2.5175
Mexico	2134.35-2148.70	1307.00-1315.00
N. Zealand	2.7495-2.7545	1.6825-1.6845
Saudi Ar.	6.1235-6.1290	3.7500-3.7510
Singapore	3.4635-3.4710	2.1225-2.1235
S. Af. (Cm)	3.2825-3.2980	2.0160-2.0200
S. Af. (Fn)	5.5370-5.7310	3.3900-3.5090
Taiwan	50.35-50.60	31.05-31.15
U.A.E.	5.9970-6.0025	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0629	+1.42	0.76	±1.5344
Danish Krone	7.85212	7.81621	−0.46	−1.12	±1.6404
German D-Mark	2.05853	2.07751	+0.92	+0.26	±1.0981
French Franc	6.90403	6.93412	+0.44	−0.22	±1.3674
Dutch Guilder	2.31943	2.34032	+0.90	+0.24	±1.5012
Irish Punt	0.768411	0.775710	+0.95	+0.29	±1.6684
Italian Lira	1483.58	1499.95	+1.10	+0.96	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

June 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6235-1.6370	1.6330-1.6340	0.24-0.21c pm	1.65	0.70-0.65 pm	1.65
Canada	2.1780-2.1920	2.1900-2.1910	0.08pm-0.02cdis	0.16	0.23-0.10 pm	0.30
Netherlands	3.35¼-3.36¼	3.35¼-3.36¼	1⅛-7⁄8c pm	3.57	3⅛-2⅞ pm	3.57
Belgium	61.67-61.91	61.80-61.90	15-8c pm	2.23	38-27 pm	2.10
Denmark	11.19¼-11.24	11.21¼-11.22¼	½-1½ore dis	−0.87	1⅛-2⅛ dis	−0.62
Ireland	1.1095-1.1160	1.1130-1.1140	0.09-0.17 p dis	−1.40	0.24-0.28 dis	−0.93
W. Germany	2.97½-2.98¼	2.97¼-2.98¼	1⅜-1¼pf pm	5.03	3⅞-3⅝ pm	5.03
Portugal	231.50-233.65	232.70-233.60	78-163c dis	−6.20	287-424 dis	−6.10
Spain	206.50-207.25	207.55-207.85	68-151c dis	−6.33	152-354 dis	−4.87
Italy	2150¼-2158	2154-2155	1-4 lire dis	−1.39	5-11 dis	−1.49
Norway	10.92½-10.98¼	10.94¼-10.95¼	4⅛-5½ ore dis	−5.62	14¼-15½ dis	−5.53
France	9.93-9.97	9.95-9.96	¼-⅛ c pm	0.53	1⅝-⅝ pm	0.45
Sweden	10.34-10.38½	10.36-10.37	⅛-½ ore dis	−0.36	⅞-1½ dis	−0.46
Japan	235½-236¼	235¾-236¾	1⅛-⅞ y pm	5.08	3⅛-2⅞ pm	5.08
Austria	20.92-21.04	21.01-21.04	8½-7⅞ gro pm	4.60	25⅛-22¾ pm	4.55
Switzerland	2.47¼-2.48½	2.47½-2.48½	1-¼c pm	4.23	3⅛-2⅞ pm	4.84

Belgian rate is for convertible francs. Financial franc 61.95-62.05. Six-month forward dollar 1.19-1.14 c pm. 12-month 1.87-1.77c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

June 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6235-1.6370	1.6330-1.6340	0.24-0.21c pm	1.65	0.70-0.65 pm	1.65
Ireland†	1.4611-1.4698	1.4670-1.4680	0.45-0.40c pm	3.49	1.28-1.15 pm	3.32
Canada	1.3392-1.3410	1.3400-1.3410	0.14-0.17c dis	−1.39	0.43-0.46dis	1.33
Netherlands	2.0515-2.0645	2.0565-2.0565	0.33-0.30c pm	1.83	1.00-0.95 pm	1.89
Belgium	37.77-37.98	37.80-37.90	3pm-par pm	0.47	6-1 pm	0.37
Denmark	6.85-6.89½	6.86¼-6.87¼	0.80-1.50ore dis	−2.00	3.10-3.80 dis	−2.00
W. Germany	1.8208-1.8330	1.8260-1.8270	0.51-0.48pf pm	3.25	1.55-1.50pm	3.33
Portugal	142-142¾	142-142½	70-120c dis	−7.99	240-320c dis	−7.85
Spain	126.35-127.28	126.45-126.55	50-100c dis	−7.08	150-300c dis	−7.08
Italy	1316-1325	1318¾-1319¾	3.00-4.00lire dis	−3.18	9.00-12.00dis	3.18
Norway	6.70-6.73½	6.70-6.70½	3.70-4.20ore dis	−7.05	11.85-12.35dis	−7.19
France	6.08-6.11¼	6.09¼-6.09¾	0.55-0.70c dis	−1.23	1.75-2.10 dis	−1.26
Sweden	6.33¾-6.36½	6.34¼-6.34¾	0.35-0.65ore dis	−0.94	2.30-2.70 dis	−1.57
Japan	144.35-145.10	144.60-144.70	0.41-0.38y pm	3.27	1.23-1.18 pm	3.33
Austria	12.81½-12.88¼	12.82¼-12.82¾	3.40-3.00gro pm	2.99	9.75-8.75 pm	2.88
Switzerland	1.5125-1.5235	1.5175-1.5185	0.37-0.32c pm	2.72	1.23-1.18 pm	3.17

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.90-38.00

EURO-CURRENCY INTEREST RATES

June 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅝-8⅞	8¾-8 13/16	8¾-8⅞	8¾-8⅞	8¾-8⅞	8⅞-9
U.S. Dollar	6⅝-6¾	6¾-6⅞	7-7⅛	7 1/16-7 3/16	7¼-7⅜	7⅝-7¾
Can. Dollar	8-8¼	8-8¼	8⅛-8⅜	8¼-8½	8 7/16-8 11/16	8¾-9
D. Guilder	5 3/16-5 5/16	5 3/16-5 5/16	5 3/16-5 5/16	5 3/16-5 5/16	5⅛-5¼	5⅛-5¼
Sw. Franc	3-3½	2½-2¾	4 5/16-4 7/16	4-4⅛	3⅞-4	3⅞-4
Deutschmark	3 5/16-3 7/16	3½-3⅝	3⅝-3¾	3⅝-3¾	3 11/16-3 13/16	3 13/16-3 15/16
Fr. Franc	8-8⅛	8-8¼	8 3/16-8 5/16	8¼-8⅜	8½-8⅝	8⅞-9
Italian Lire	9-11	9-9¾	9⅝-10⅛	9¾-10⅛	10-10⅜	10⅛-10⅝
B. Fr. (Fin.)	6¼-6½	6⅝-6⅞	6¾-6⅞	6 13/16-6 15/16	6 15/16-7 1/16	7⅛-7¼
B. Fr. (Con.)	6-6½	6¼-6¾	6½-6⅞	6⅝-7	6⅞-7¼	6⅞-7⅞
Yen	3 11/16-3 13/16	3 11/16-3 13/16	3 15/16-4	3⅞-3 15/16	3 15/16-4	3⅞-4
D. Krone	9⅛-9⅝	9⅛-9⅝	9⅛-9⅝	9⅛-9⅝	9⅜-9⅞	9¾-10¼
Asian $Sing.	3⅜-3½	N/A	4¼-4⅜	4⅜-4½	4⅝-4¾	4¾-4⅞

Long-term Eurodollars: Two years 8-8¼ per cent; three years 8¼-8½ per cent; four years 8½-8¾ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.
Correction for June 16. Sterling Short-term 8½-8⅝, 7 day, 8 9/16-8 13/16, 1 mth 8 11/16-8 13/16, 3 mth 8⅝-8⅞, 6 mth 8⅝-8⅞, 1 yr 8¾-9.

EXCHANGE CROSS RATES

June 17	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.634	2.983	236.3	9.955	2.480	3.358	2155.	2.191	61.85
$	0.612	1.	1.827	144.7	6.095	1.518	2.056	1319.	1.341	37.85
DM	0.335	0.548	1.	79.21	3.338	0.832	1.126	722.4	0.734	20.74
YEN	4.233	6.914	12.62	1000.	42.14	10.50	14.21	9120.	9.272	261.8
F Fr.	1.005	1.641	2.996	237.3	10.	2.491	3.373	2164.	2.200	62.13
S Fr.	0.403	0.659	1.203	95.26	4.014	1.	1.354	868.8	0.883	24.94
H Fl.	0.298	0.487	0.888	70.36	2.965	0.739	1.	641.7	0.652	18.42
Lira	0.464	0.758	1.384	109.7	4.621	1.151	1.558	1000.	1.017	28.71
C $	0.457	0.746	1.362	107.9	4.545	1.132	1.533	983.6	1.	28.24
B Fr.	1.617	2.641	4.822	382.0	16.10	4.010	5.428	3483.	3.542	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Late rise in gilts

GILT PRICES were firmer on the day in the London International Financial Futures Exchange yesterday after a late upturn. Dealers reported good business with selling by a US bank absorbed by domestic demand. The September price opened at 125-27 down from 126-10 on Tuesday and traded between a high of 126-26 and a low of 125-24 before closing at 126-24.

Early trading saw values touch the days lows, following sterling's weak opening and a small increase in cash rates. This severely dented any remaining hopes of an early cut in UK clearing bank base rates. However, later news that some building societies had cut their mortgage rate was seen as a step in the right direction although dealers admitted that this did no necessarily presage a cut in interbank rates.

Three-month sterling deposits acted in much the same way and after opening at 91.23, the price eased to a low of 91.16 before recovering to touch a high of 91.29 where it closed, unchanged from Tuesday's close.

US Treasury bonds opened on a firm note but lost ground during the afternoon to finish virtually unchanged on the day. US statistics released included revised 1st quarter GNP figures which showed little changed from the previous revision as well as capacity utilisation and a fall in corporate profits.

The September price opened at 93-02 up from 92-14 and touched a high of 93-04 before closing at 92-17 against 92-14 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	8.57	9.23	0.09	0.47
120	7.06	7.48	0.22	1.08
122	5.24	6.19	0.40	1.43
124	3.56	5.01	1.08	2.25
126	2.46	3.57	1.62	3.17
128	1.47	2.61	2.63	4.21
130	1.03	2.12	4.19	5.36
132	0.40	1.40	5.56	7.00

Estimated volume total, Calls 2,417 Puts 2,032
Previous day's open int: Calls 23,550 Puts 14,444

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	10.37	9.62	0.03	0.24
84	8.42	8.16	0.08	0.42
86	6.52	6.44	0.18	1.06
88	5.09	5.17	0.39	1.43
90	3.43	4.03	1.09	2.29
92	2.24	3.02	1.54	3.28
94	1.26	2.12	2.56	4.38
96	0.50	1.35	4.16	5.61

Estimated volume total, Calls 106 Puts 73
Previous day's open int: Calls 1660 Puts 520

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last June	Calls-Last July	Puts-Last June	Puts-Last July
22000	14.02	20.20	0.02	0.80
22250	11.56	18.02	0.06	1.12
22500	9.17	15.95	0.17	1.55
22750	6.92	13.98	0.42	2.08
23000	4.91	12.13	0.91	2.73
23250	3.23	10.43	1.75	3.53
23500	1.95	8.87	2.95	4.47
23750	1.07	7.46	4.57	5.56

Estimated volume total, Calls 17 Puts 22
Previous day's open int: Calls 515 Puts 705

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.45	—	—	18.55	18.55	—	—	0.04	0.37
1.50	13.55	13.55	13.55	13.55	0.02	0.08	0.22	0.95
1.55	8.55	8.56	8.72	9.45	0.18	0.45	0.81	2.05
1.60	4.03	4.70	5.10	6.25	0.66	1.59	2.19	3.95
1.65	1.08	1.99	2.53	3.84	2.71	3.88	4.62	6.44
1.70	0.15	0.65	1.06	2.19	6.78	7.54	8.15	9.79
1.75	0.08	0.16	0.37	1.15	11.71	12.05	12.46	13.75

Estimated volume total, Calls 0 Puts 30
Previous day's open int, Calls 659 Puts 1935

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.45	—	—	12.70	12.90	—	—	1.50	2.70
1.50	16.60	16.60	16.60	16.60	0.35	0.35	0.50	1.15
1.55	9.20	9.30	9.65	11.60	0.35	0.60	1.00	1.60
1.60	4.30	5.40	5.95	6.60	0.90	2.05	1.95	4.15
1.65	1.25	2.75	3.25	5.95	2.90	3.15	4.35	6.50
1.70	0.40	1.25	1.50	3.90	6.70	6.10	6.70	9.60
1.75	0.30	0.60	0.85	2.50	11.40	9.85	10.50	13.25

Previous day's open int: Calls 1,806 Puts 355
Volume: 141

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.600	—	4.40	4.80	5.90	—	1.45	2.00	3.55
1.625	2.05	2.70	3.40	3.40	1.40	2.40	3.10	—
1.650	0.95	1.90	2.30	2.50	2.65	3.70	4.45	6.05
1.675	0.30	1.00	—	2.50	4.75	5.65	—	7.75
1.700	0.15	0.55	0.90	1.90	6.95	7.65	8.15	—
1.725	0.05	0.30	0.55	1.40	9.35	9.75	10.15	11.35
1.750	—	0.05	0.35	1.00	11.75	12.05	12.35	13.35

Previous day's open int: Calls 98,201 Puts 52,202
Previous day's volume: Calls 18,677 Puts 2,414

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.25	1.34	1.17	1.07	—	0.02	0.14	0.28	—
91.50	1.10	0.97	0.90	—	0.03	0.19	0.36	—
91.75	0.88	0.79	0.74	—	0.06	0.26	0.45	—
92.00	0.67	0.63	0.59	—	0.10	0.35	0.55	—
92.25	0.49	0.48	0.47	—	0.17	0.45	0.68	—
92.50	0.33	0.35	0.36	—	0.26	0.57	0.82	—
92.75	0.19	0.25	0.27	—	0.37	0.72	0.98	—

Previous day's open int: Calls 1,451 Puts 1,764
Estimated volume, Calls 100 Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	—	—	—	—
Sept.	126-24	126-26	125-24	126-10
Dec.	126-20	—	—	126-06

Estimated volume 29,300 (35,368)
Previous day's open int. 28,824 (28,093)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
June	91.19	91.18	91.13	91.17
Sept.	91.29	91.29	91.16	91.29
Dec.	91.22	91.23	91.12	91.20
Mar.	91.15	91.17	91.11	91.14
June	90.95	—	—	90.91
Sept.	90.77	—	—	90.73

Estimated Volume 5,293 (6,549)
Previous day's open int. 19,062 (19,416)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
June	234.00	235.20	232.70	222.40
Sept.	239.40	240.70	238.90	238.40

Estimated volume 2,145 (1,622)
Previous day's open int. 7,663 (7,773)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	—	—	—	—
Sept.	92.57	92.61	92.56	92.51
Dec.	92.28	92.31	92.26	92.19
March	92.04	92.07	92.02	91.95
June	—	—	—	91.75
Sept.	91.65	91.65	91.65	91.58
Dec.	91.48	91.50	91.49	91.43
Mar.	91.34	—	—	91.29

Estimated volume 4,366 (4,744)
Previous day's open int. 24,426 (24,517)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	93-20	—	—	93-18
Sept.	92-17	93-04	92-16	92-14
Dec.	91-19	—	—	91-16

Estimated Volume 4,838 (4,420)
Previous day's open int. 4,168 (4,431)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	93-27	94-07	93-22	93-20
Sept.	92-25	93-07	92-18	92-17
Dec.	91-28	92-09	91-20	91-19
Mar.	91-01	91-01	90-28	90-24
June	90-08	90-08	90-01	89-31
Sept.	89-16	89-16	89-13	89-09
Dec.	—	—	—	88-21
Mar.	—	—	—	88-04
June	—	—	—	—
Sept.	—	—	—	87-08
Dec.	—	—	—	86-29

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	93.92	93.96	93.90	93.92
Dec.	93.61	93.66	93.57	93.59
Mar.	93.38	93.38	93.35	93.33
June	93.16	93.16	93.16	93.12
Sep.	92.96	92.96	—	92.94
Dec.	—	—	—	92.75
Mar.	—	—	—	92.59

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6643	0.6656	0.6614	0.6626
Dec.	0.6696	0.6715	0.6675	0.6686
Mar.	0.6765	0.6765	0.6740	0.6746

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	0.6971	0.6980	0.6953	0.6976
Dec.	0.7028	0.7035	0.7022	0.7036
Mar.	—	—	—	0.7100
Jun.	—	—	—	0.7169

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sept.	0.5521	0.5528	0.5500	0.5520
Dec.	0.5568	0.5573	0.5554	0.5570
Mar.	—	—	—	0.5621

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	92.58	92.62	92.55	92.53
Dec.	92.28	92.31	92.25	92.23
Mar.	92.04	92.07	92.01	91.98
June	91.85	91.86	91.81	91.78
Sept.	91.66	91.67	91.63	91.61
Dec.	91.49	91.50	91.46	91.45
Mar.	91.34	91.35	91.31	91.30
June	91.20	91.20	91.18	91.16

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	304.70	305.70	304.55	305.10
Sept.	306.95	307.90	306.70	307.20
Dec.	309.00	309.90	308.80	309.25
Mar.	311.00	311.90	311.00	—

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6335	1.6313	1.6268	1.6219	1.6153

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept.	1.6275	1.6355	16300	1.6250
Dec.	1.6210	1.6325	1.6250	1.6200
Mar.	1.6200	1.6265	16220	1.6165

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6291	1.6259	1.6189	1.6299
Dec.	1.6240	—	—	1.6259
Mar.	1.6208	—	—	1.6225

Estimated volume 21 (375)
Previous day's open int 826 (1,073)

MONEY MARKETS

Rates unimpressed by pound's recovery

INTEREST RATES showed little overall change in the London money market yesterday. Those rates that did change reflected technical problems caused in the overnight market.

Discount houses had been expecting a more comfortable day than the early forecast had suggested but those who were wise took funds early in the day because overnight rates moved up during the afternoon.

UK clearing bank base lending rate 9 per cent since May 8

Overnight interbank money opened at 8 per cent and touched a low of 7¾ per cent before moving up steadily to touch a high of 10¾ per cent. Late balances were taken at 10 per cent.

Three-month interbank money finished at 8 13/16-8¾ per cent compared with 8 13/16-8 11/16 per cent.

Sterling's recovery from a weaker opening appeared to have little effect. Most traders were unwilling to suggest a course for interest rates over the next few months although a surprise cut in mortgage rates tended to add towards the feeling that rates may fall before they rise.

The Bank of England forecast a shortage of around £450m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £310m and Exchequer transactions a further £90m. In addition there was a rise in the note circulation. These were partly offset by banks' balances brought forward £50m above target.

There was no assistance given by the Bank in the morning. In the afternoon the forecast was revised to a shortage of around £500m and the bank gave assistance of £91m through outright purchases of £91m comprising £79m of eligible bank bills in band 1 at 8⅞ per cent and £12m in band 2 at 8⅞ per cent. Late help came to £235m, making a total of £326m.

In New York the US Federal Reserve Board entered the Government securities market to increase liquidity through overnight repurchase agreements. At the time Federal funds were trading at 6¾ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 17) 3 months U.S. dollars		6 months U.S. dollars	
bid 7 1/16	offer 7 3/16	bid 7¼	offer 7½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8.25
Broker loan rate	8
Fed. funds	6⅝
Fed funds at intervention	6¾

Treasury Bills and Bonds

One month	N/A	Three year	7.65
Two month	N/A	Four year	7.79
Three month	5.83	Five year	7.87
Six month	6.23	Seven year	8.12
One year	6.70	10 year	8.25
Two year	7.42	30 year	8.43

June 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.20-3.30	3.55-3.65	3.55-3.70	3.55-3.70	3.60-3.75	5.0
Paris	8 3/16-8⅛	8 3/16-8 5/16	8⅛-8¼	8⅛-8¼	8 5/16-8 7/16	7¾
Zurich	⅞-1⅛	4⅛-4⅜	—	3⅞-4⅛	—	—
Amsterdam	5 3/16-5¼	5 3/16-5¼	—	5 3/16-5¼	—	—
Tokyo	3.09375	3.59375	—	3.65625	—	—
Milan	10⅝-11⅛	10⅞-11⅛	—	10⅝-11⅛	—	—
Brussels	5.00	6½-6⅞	—	6 13/16-6 15/16	—	—
Dublin	10¼-10½	10½-10¾	10½-10¾	10½-10¾	10⅜-10⅝	—

LONDON MONEY RATES

June 16	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10¾-8	8⅞-8¼	8 13/16-8 11/16	8⅞-8¾	8⅞-8¾	9-8⅞
Sterling CDs.	—	—	8 13/16-8 11/16	8¾-8⅝	8¾-8⅝	8 13/16-8 11/16
Local Authority Deposits	7¼	8½	8⅝	8½	8⅝	8¾
Local Authority Bonds	—	—	9	8 13/16	9	9
Discount M'ket Deposits	9½-8	8½	8⅝	8¾	—	—
Company Deposits	—	—	8⅞	8 13/16	8⅞	8 13/16
Finance House Deposits	—	—	8⅞	8 13/16	8⅞	9
Treasury Bills (Buy)	—	—	8 11/16	8 13/16	—	—
Bank Bills (Buy)	—	—	8¾	8⅝	8½	—
Fine Trade Bills (Buy)	—	—	9⅛	9¼	9⅛	—
Dollar CDs	—	—	7.05-7.00	7.01-7.05	7.20-7.15	7.65-7.60
SDR Linked Deposits	—	—	6 1/16-5 13/16	6⅛-5⅞	6¼-6	6½-6¼
ECU Linked Deposits	—	—	6 11/16-6 9/16	6¾-6⅝	6⅞-6¾	7 1/16-6 15/16

Treasury Bills (sell); one-month 8 13/16 per cent; three-months 8 7/16 per cent; Bank Bills (sell): one-month 8 11/16 per cent; three months 8 13/16 per cent; Treasury Bills; Average tender rate of discount 8.3933 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1987. Agreed rates for period June 24 to July 25, 1987, Scheme I: 10.54 p.c., Schemes II & III: 10.12 p.c. Reference rate for period May 1 to May 29, 1987, Scheme IV: 8.873 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from June 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-12 months 8⅝ per cent; Under £100,000 8 per cent from June 11, Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	WEDNESDAY JUNE 17 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	TUESDAY JUNE 16 1987 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (94)	136.69	+0.2	124.06	125.87	3.08	136.46	123.74	126.21	140.95	99.92	87.81
Austria (16)	86.34	-0.1	78.36	81.76	2.30	86.45	78.39	81.76	101.62	85.94	83.92
Belgium (47)	117.36	+0.5	106.51	109.25	4.35	116.81	105.92	109.03	123.62	96.19	76.61
Canada (127)	126.48	+0.3	114.79	122.77	2.39	126.07	114.32	122.42	136.17	100.00	98.23
Denmark (39)	120.16	+0.0	109.06	112.28	2.46	120.11	108.91	112.14	124.10	98.18	94.43
France (122)	108.63	-1.0	98.59	103.86	2.67	109.77	99.53	104.99	121.82	98.39	78.95
West Germany (90)	92.81	+0.0	84.23	88.13	2.12	92.83	84.18	88.13	100.33	84.00	84.90
Hong Kong (45)	121.24	+0.3	110.04	121.51	2.83	120.87	109.60	121.17	121.24	96.89	71.21
Ireland (14)	129.20	+0.8	117.26	124.05	3.61	128.20	116.25	123.09	131.86	99.50	83.77
Italy (76)	101.24	-0.4	91.89	99.73	1.81	101.64	92.16	100.35	112.11	94.76	80.89
Japan (458)	157.32	+0.3	142.79	143.85	0.47	156.92	142.29	143.23	161.28	100.00	78.14
Malaysia (36)	169.55	+1.6	153.88	164.34	2.31	166.84	151.28	161.10	172.55	98.24	82.02
Mexico (14)	251.35	+3.0	228.13	360.28	0.61	244.02	221.28	349.91	251.35	99.72	49.93
Netherland (38)	119.37	+1.1	108.34	112.01	3.95	118.06	107.05	110.73	120.14	99.65	88.74
New Zealand (27)	99.69	+0.7	90.48	89.12	3.05	99.02	89.79	88.94	100.59	83.93	68.36
Norway (24)	139.27	+0.0	126.40	126.70	1.98	139.23	126.25	126.94	140.05	100.00	100.16
Singapore (27)	141.85	+1.2	128.75	138.78	1.78	140.21	127.14	137.14	144.47	99.29	76.95
South Africa (61)	155.57	-4.0	141.19	117.29	3.63	162.06	146.95	118.09	186.74	100.00	80.26
Spain (43)	114.38	+0.2	103.81	109.61	3.68	114.20	103.55	109.66	121.31	100.00	82.42
Sweden (33)	115.79	+0.8	105.09	108.76	2.12	114.88	104.17	107.86	124.68	90.85	88.41
Switzerland (51)	95.34	+1.8	86.53	89.73	1.91	93.66	84.93	88.29	104.06	92.01	81.87
United Kingdom (335)	151.46	+0.6	137.47	137.47	3.08	150.63	136.59	136.59	151.46	99.65	97.90
USA (593)	124.85	+0.0	113.32	124.85	2.90	124.86	113.22	124.86	124.86	100.00	102.36
Europe (928)	121.71	+0.3	110.46	113.46	2.82	121.32	110.01	113.09	121.71	99.78	88.77
Pacific Basin (687)	155.14	+0.3	140.81	142.25	0.62	154.74	140.31	141.66	158.64	100.00	78.24
Euro-Pacific (1615)	141.81	+0.3	128.71	130.77	1.38	141.41	128.23	130.27	143.34	100.00	82.40
North America (720)	124.94	+0.0	113.39	124.76	2.87	124.92	113.27	124.74	124.94	100.00	102.14
World Ex. US (1817)	141.48	+0.2	128.41	130.16	1.44	141.15	127.99	130.16	143.09	100.00	82.91
World Ex. UK (2075)	133.35	+0.1	121.03	127.64	1.84	133.21	120.79	127.40	133.55	100.00	89.84
World Ex. So. Af. (2349)	134.83	+0.2	122.38	128.62	1.95	134.59	122.04	128.31	134.83	100.00	90.59
World Ex. Japan (1952)	124.35	+0.1	112.86	120.90	2.86	124.25	112.66	120.76	124.35	100.00	96.45
The World Index (2410)	134.97	+0.1	122.50	128.55	1.96	134.77	122.20	128.25	134.97	100.00	90.52

Base values: Dec 31, 1986 = 100

Latest prices unavailable for this edition.

Prices for Denmark and Austria were not available for June 16.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Last	Nov 87 Vol.	Last	Feb 88 Vol.	Last	Stock
GOLD C	$480	193	6.10	3	18	13	26	$451.70
GOLD C	$500	17	4.20	5	14	6	20.50	"
GOLD P	$420	—	—	13	8.50	—	—	"
GOLD P	$440	53	7.80	—	—	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$850	—	—	6	50	16	80B	$755
SILVER C	$900	—	—	15	40A	—	—	"
SILVER C	$1000	—	—	—	—	15	50	"
SILVER P	$800	—	—	30	90	—	—	"
SILVER P	$950	5	200	—	—	205	230	"
		Jun 87		Jul 87		Aug 87		
$/Fl C	Fl.200	45	6	16	6.30	14	6.80	Fl.205.70
$/Fl C	Fl.205	227	1	—	—	5	3.80	"
$/Fl C	Fl.210	—	—	8	0.85	36	2	"
$/Fl P	Fl.200	—	—	11	0.90	6	1.90	"
$/Fl P	Fl.205	71	0.30	1	2.30	21	3.40	"
$/Fl P	Fl.225	30	19.30	—	—	—	—	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.200	28	6.70	10	9.30	6	8.70	Fl.205.70
$/Fl C	Fl.205	29	4.50	265	5.60	17	6.30	"
$/Fl C	Fl.210	20	2.30	355	3.60A	2	4.60A	"
$/Fl C	Fl.215	200	1.20	—	—	46	3.20A	"
$/Fl P	Fl.200	1	2.50	351	4.50B	20	6.10	"
$/Fl P	Fl.205	3	4.50	3	6.40	1	9.40	"

Series		July 87 Vol.	Last	Oct 87 Vol.	Last	Jan 88 Vol.	Last	Stock
ABN C	Fl.460	334	16	37	24.50	6	35	Fl.471
ABN P	Fl.460	85	3.70	177	14	5	17	"
AEGON C	Fl.90	445	3	160	5.60	10	7.50	Fl.90.60
AEGON P	Fl.100	102	9.50A	—	—	—	—	"
AHOLD C	Fl.95	126	2	46	4.70	—	—	Fl.94.20
AHOLD P	Fl.95.50	27	2.20	—	—	—	—	"
AKZO C	Fl.140	3029	5.30	1091	10.10	149	13.70	Fl.142.20
AKZO P	Fl.130	702	0.50	173	2.10	65	3.80	"
AMEV C	Fl.65	388	2	157	4.20	21	5.80	Fl.65
AMEV P	Fl.60	45	0.50	36	1.50	—	—	"
AMRO C	Fl.75	406	1.90	245	3.50	28	4.90	Fl.74
AMRO P	Fl.80	14	6.50A	53	7	22	7.20	"
ELSEVIER C	Fl.50	549	3	166	5.50	12	7	Fl.52.20
GIST-BROC C	Fl.45	184	1.80	258	3.20	18	4.50	Fl.44.70
GIST-BROC C	Fl.45	32	1.80	23	2.60	4	3.50A	"
HEINEKEN C	Fl.180	82	3	124	6.50	13	9	Fl.176.80
HEINEKEN P	Fl.170	123	1.20	14	4	5	6.20A	"
HOOGOVENS C	Fl.40	458	3.50	69	5.20	15	6.40	Fl.42.90
HOOGOVENS P	Fl.40	320	0.80	22	2.20	—	—	"
KLM C	Fl.50	742	1.80	686	3.10	93	4.50	Fl.49.80
KLM P	Fl.50	116	1.70	150	3.70B	58	4.10	"
NED. LLOYD C	Fl.140	135	4.50A	48	8	19	10	Fl.140.50
NED. LLOYD P	Fl.140	167	3.80	70	7.50	33	9.50A	"
NAT. NED. C	Fl.70	642	2.90	1024	4.60	52	6.80	Fl.70.50
NAT. NED. P	Fl.80	150	10	2	10.50A	2	11	"
PHILIPS C	Fl.50	2549	1.20	1095	3.30	288	4.30	Fl.49.10
PHILIPS P	Fl.45	1013	0.20	829	1	313	1.60	"
ROYAL DUTCH C	Fl.260	1255	7.70	98	12	3	15	Fl.264.50
ROYAL DUTCH P	Fl.220	426	0.10	—	—	—	—	"
ROBECO C	Fl.100	21	6.30	22	7.50	—	—	Fl.106
ROBECO P	Fl.105	30	1.20	—	—	—	—	"
UNILEVER P	Fl.680	95	12.50	20	20.50B	22	28	Fl.683.50

TOTAL VOLUME IN CONTRACTS: 59,880

A=Ask B=Bid C=Call P=Put

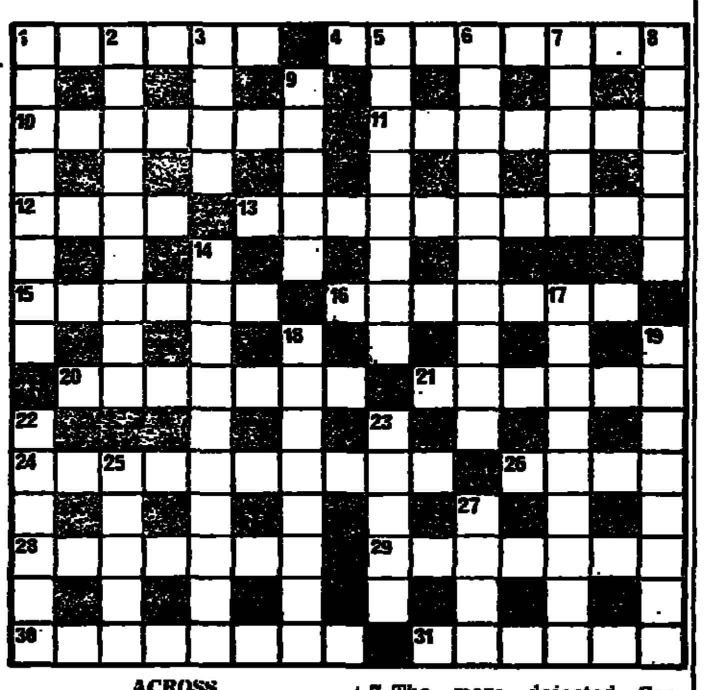
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williamson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bank	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Westpac Bank Corp	9
Bank of Scotland	9	● Guinness Mahon	9	Whiteaway Laidlaw	9½
Banque Belge Ltd	9	HFC Trust & Savings	9	Yorkshire Bank	9
Barclays Bank	9	● Hambros Bank	9		
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No 6,355

VIXEN



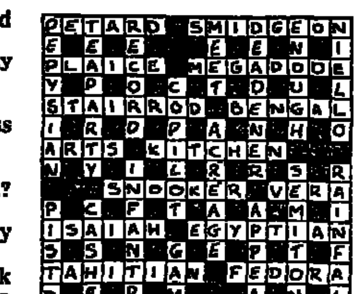
ACROSS

1 Discouragement makes some soldiers colour (6)
4 Leaderless men capable of surviving — that's much to be desired (8)
10 Express satisfaction with its back and foot support (7)
11 Concerned with deterioration, get into shape again (7)
12 Raised a bearing tree (4)
13 Leavings readers put out (10)
15 Singer making a call about two articles (6)
16 A large number possibly agreed, being humble (7)
20 *Put on a coat* (7)
21 Virginia, the retiring girl, is a subordinate (6)
24 A far-seeing invention (10)
26 Seating will be provided, note (4)
28 A drug for distribution in Paris (7)
29 High level (7)
30 Increases the underworld watches closely (8)
31 Take up residence and pay for it (6)

DOWN

1 *Initiative shown by heartless rogue on new course* (8)
2 The country-woman (9)
3 A passenger for the Orient? (4)
5 Reports an arrest wrongly made (8)
6 Taking the main road back with stuff of no consequence (10)
7 The more dejected *Conservative right* (5)
8 The most senior in the firm held established positions (6)
9 River sport (5)
14 Stars never change from one side to the other (10)
17 Untrustworthy but attractive girl with love-nest (9)
18 A male child in the family will get hardened (8)
19 Legal claim certain to cause amusement (8)
22 A city street by the water (6)
23 Work in bed, so put on the board (2-3)
25 Some Europeans take soft drinks outside (5)
27 Strip for the record (4)

Solution to Puzzle No 6,354



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	107.5	113.7	-0.1	1.22
(Accum Units)	112.6	119.3	-0.1	1.22
British Blue Chip Fund	52.5	55.5xd	+0.5	2.26
(Accum Units)	52.5	55.5xd	+0.5	2.26
American Sm Cos Fd	51.2	54.0	+0.2	0.45
(Accum Units)	51.1	54.0	+0.2	0.45
American Income	51.6	54.5	+0.3	4.02
(Accum Units)	56.2	59.4	+0.3	4.02
European Growth	137.9	145.9	+0.7	0.65
(Accum Units)	142.7	151.0	+0.7	0.65
European Income	78.2	82.7xd	+0.2	3.65
(Accum Units)	82.0	86.7xd	+0.2	3.65
General	366.5	387.8	+3.0	2.02
(Accum Units)	608.7	644.1	+5.0	2.02
Gilt	90.4	92.0xd	+0.1	7.28
(Accum Units)	107.5	108.0xd	+0.0	7.28
Global Fund	49.9	52.8xd	+0.2	0.69
(Accum Units)	49.9	52.8xd	+0.2	0.69
High Interest Fund	48.1	50.9xd	+0.0	8.84
(Accum Units)	48.6	51.4xd	+0.1	8.84
High Income Fund	51.8	54.8xd	+0.6	4.79
(Accum Units)	52.7	55.7xd	+0.6	4.79
Income	118.6	125.4xd	+1.1	3.42
(Accum Units)	135.9	143.8xd	+1.3	3.42
International	298.6	315.9xd	+1.1	1.19
(Accum Units)	373.6	395.3xd	+1.4	1.19
Japan	232.8	246.3	+0.8	0.43
(Accum Units)	238.9	252.8	+0.8	0.43
Pacific Fd	52.4	55.4xd	+0.2	0.10
(Accum Units)	52.4	55.4xd	+0.2	0.10
Recovery	300.5	317.9xd	+5.1	2.19
(Accum Units)	326.7	345.7xd	+5.9	2.19
UK Smaller Co's Fd	50.9	53.8	+0.5	1.86
(Accum Units)	50.9	53.8	+0.5	1.86
Exempt May 27	353.6	362.6	+8.1	2.28
(Accum Units)	553.8	566.0	+12.7	2.28

Metropolitan Unit Trust Mngrs Ltd
3 Durbes Lane, Potters Bar EN6 1AJ. 0707 49184

UK Income Fund	59.8	63.4	+0.5	4.72
Accum Units	59.8	63.4	+0.5	4.72
UK Growth Fund Acc	61.9	65.8	-0.1	1.52
Global Income Fund	50.2	53.3	+0.4	3.75
Accum Units	50.2	53.3	+0.4	3.75
Global Growth Fund	47.4	50.4	+0.3	0.5

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	122.0	129.4	+2.3	1.36
(Accum Units)	167.5	177.7	+2.9	1.36
Commodity & Gen.	175.0	185.7	...	1.52
(Accum Units)	269.9	285.1	...	1.52
European Growth	124.4	131.9xd	+0.5	1.13
(Accum Units)	150.1	159.2	+0.5	1.13
Extra High Inc	73.4	77.8	+0.3	6.40
(Accum Units)	89.1	94.5	+0.4	6.40
Gilt & Fxd. Int.	56.2	58.4xd	...	8.86
(Accum Units)	97.9	102.2	-0.1	8.86
High Yield	212.5	225.4	+2.3	4.34
(Accum Units)	375.8	398.7	+3.9	4.34
Income	246.0	261.0	+2.6	2.76
(Accum Units)	412.4	437.6	+4.3	2.76

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst.	76.6	82.0	+1.6	0.38
Holborn Equity Income	68.8	72.8xd	+1.2	3.57
Holborn Equity Tst.	574.4	602.0	+7.1	2.21
Holborn European Tst.	111.7	118.1xd	.	0.70
Holborn Gilt Tst.	217.8	226.8	-1.8	2.1
Holborn High Inc Tst.	84.5	89.4xd	+1.0	4.83
Holborn Intl Grth Tst.	118.2	125.0	+0.7	0.7
Holborn Japanese Tst.	138.2	146.2	+0.7	0.04
Holborn N. Amer. Tst.	90.4	95.6xd	+0.9	0.51
Holborn Sm Cos Tst.	74.6	78.9xd	+0.8	1.47
Holborn Spec Sits Tst.	98.8	104.6	+1.5	1.4
Holborn UK Growth Tst.	116.7	123.9	+1.1	1.32

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	635.2	672.2	...	1.63
Quadrant Income	325.4	344.4	...	4.16
Quadrant Intl. Fund	430.7	455.8	...	1.10
Quadrant Spec. Sits.	407.6	431.6	...	1.52

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	241.0	256.5	+3.7	2.24
Reliance Unit Tst (Inc)	162.4	172.7	+2.9	1.87
Reliance UK Tst (Acc)	218.5	232.4	+3.9	1.87

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool 051-227 2030

Internat. Growth Trust	49.9	52.9	+0.5	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	316.9	337.1	+1.8	0.85
NC America (Acc)	346.2	368.2	+1.8	0.85
NC Inc Fd.	123.8	131.7xd	+4.2	2.86
NC Japan Fd.	216.7	230.5	+4.1	—
NC Major UK Cos Fd.	71.9	76.4xd	+0.6	1.55
NC Smllr Australasian	84.3	89.6	+0.5	0.49
NC Smllr Canadian CoFd	47.7	50.7	...	1.00
NC Smaller Cos	226.6	241.0	+2.9	0.95
NC Smaller European	191.6	203.8	+1.0	0.46
NC Prop.*	155.1	169.5	...	(z)

*Unauthorised Unit Trusts

Rowan Unit Trust Mngt. (a)
33, King William St, London EC4R 9AS 01-638 5678

Merlin June 5	604.0	612.0	...	1.15

Royal Bank of Canada Fds.
RBC Trust Managers Limited.
1, London Wall, London EC2Y 5JX. 01-600 6222

RBC Select Grth Acc.	79.2	84.2	+2.9	—
RBC Select Income	79.3	84.3	+1.8	—
RBC Select Inc Acc.	81.2	86.3	+1.8	—
RBC Select N. American	51.9	55.2	+0.3	—
RBC Select Intnl.	53.8	57.2	+0.8	—

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Pension Fund Prices

Managed Init.	330.3	—
Do. Accum.	403.2	—
Property Init.	202.7	—
Do. Accum.	296.1	—
Equity Init.	430.4	—
Do. Accum.	524.4	—
Gilt-Edged Init.	238.7	—
Do. Accum.	291.3	—
Guaranteed Init.	157.3	—
Do. Accum.	192.1	—
International Init.	522.7	—
Do. Accum.	637.4	—
Index Lk. Gilt Init.	136.1	—
Do. Accum.	166.1	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	298.9	+0.0	—
Property Pens.	393.2	+0.2	—
Equity	195.8	+1.1	—
Equity Pens.	895.7	+3.5	—
Money Market	318.3	+1.3	—
Money Mkt. Pens.	568.0	+2.3	—
Deposit	235.6	+0.1	—
Deposit Pens.	374.0	+0.2	—
Managed	389.6	+1.0	—
Managed Pens.	558.6	+1.5	—
Intl. Equity	338.8	+0.8	—
Do. Pens.	544.6	+1.8	—
Intl. Managed	312.2	+0.7	—
Do. Pens.	462.4	+0.9	—
North American	128.7	+0.1	—
Do. Pens.	147.6	+0.0	—
Far East	297.6	+0.6	—
Do. Pens.	431.3	+1.0	—
Intnl Currency	174.8	+0.0	—
Do. Pens.	228.7	-0.1	—
Index Linked	127.9	-0.1	—
S & C Managed Fd.	142.6	+0.1	—
S & C Pens Mngd Fd	116.3	+0.1	—

Trustlink Life Funds

Per Worldwide Rec.	157.7	-1.3	—
Per Far East Growth	191.2	+1.1	—
Per Intl Growth	151.3	+0.3	—
Per Income	168.5	+0.0	—
Per Emerging Co's	156.4	+0.4	—
Per American Growth	141.9	+0.6	—
Per European Growth	121.1	+0.2	—

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 68[illegible]

NUAM Funds

Managed Fund	56.9	54.9	—
Stock Market Mngd Fund	58.1	61.2	—
Equity Fund	63.8	67.2	—
International Fund	53.3	56.3	—
European Fund	54.6	57.7	—
North American Fund	48.9	51.5	—
Pacific Fund	66.1	69.6	—
Property Fund	50.5	53.2	—
Fixed Interest Funds	51.8	54.6	—
Index linked Sec Fund	46.3	48.8	—
Deposit Fund	50.5	53.2	—

NUAM Retirement Plans

Mixed Fund	60.3	63.5	—
UK Ordinary Share	71.7	75.5	—
International Fund	54.8	57.7	—
Property Fund	51.4	54.2	—
Fixed Interest Fund	53.5	56.4	—
Index Linked Sec Fund	46.5	49.0	—
Deposit Fund	52.3	55.1	—

NUAM (MF)

Managed Fund	776.5	817.4	—
Equity Fund	1693.7	1782.9	—
Property Fund	314.1	330.5	—
Fixed Interest Fund	381.6	401.7	—
Deposit Fund	206.1	217.0	—
International Fund	138.4	145.7	—
Index Linked Sec Fund	46.4	48.9	—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Pensioninvestor & Unit-Linked Plus*

Fixed Interest Fund	261.4	281.4	—
Index-Linked Sec Fund	134.1	141.1	—
Ordinary Share Fund	512.7	539.6	—
International Fund	138.3	145.5	—
Property Fund	160.4	168.9	—
Deposit Fund	163.7	172.3	—
Mixed Fund	331.8	349.2	—
Norwich Units May 15		972.9	

*Prices as at June 2

Pearl Assurance (Unit Funds) Ltd

252 High Holborn, London WC1V 7EB 01-405 [illegible]

Prop. Dist. (Gross)(z)	143.3	150.9	+0.3
Prop. Acc. (Gross) (z)	224.4	236.3	+0.5

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99	97	Treas. 3pc 1987	99	..	3.01	7.94
101	100	Treas. 12pc 1987	101	+	11.85	8.33
99	97	Treas. 7¼pc 1985-88	99	+	7.78	8.37
102	99	Exch 10½pc '88	101	....	10.33	8.48
101	98	Treas 9¾pc Cv '88	101	....	9.64	8.51
96	93	Transport 3pc '78-88	96	+	3.10	6.37
101	98	Treas. 9½pc '88	101	..	9.39	8.53
105	101	Treas. 11½pc 1989	104	+	11.02	8.62
102	97	Treas 9½pc Cnv 1989	101	+	9.37	8.63
94	89	Treas 3pc 1989	94	+	3.18	6.23
104	99	Treas. 10½pc 1989	103	+	10.16	8.60
103	98	Exch 10pc 1989	102	+	9.75	8.65
105	100	Exch 11pc 1989	104	+	10.50	8.60
95	89	Treas 5pc 1986-89	95	+	5.26	7.31
108	100	Exch 10¼pc Cv '89	106	+	9.61	7.15
111	105	Treas. 13pc 1990	109	+	11.84	8.65
106	100	Exch 11pc 1990	105	+	10.45	8.72
110	104	Exch 12½pc 1990	109	+	11.46	8.71
91	84	Treas. 3pc 1990	91	+	3.30	6.51
100	93	Treas 8¼pc 1987-90	99	+	8.37	8.34
105	97	Treas. 10pc Cv 1990	103	+	9.64	8.66
89	81	Exch 2½pc 1990	88	–	2.82	6.20
110	103	Treas 11¾pc 1991	109	+	10.76	5.69
95	87	Funding 5¾pc '87-91	94	....	6.10	7.49
89	80	Treas. 3pc 1991	88	–	3.39	6.41
110	100	Treas 10pc Cv '91	108	+	9.19	7.45
109	101	Exch 11pc 1991	108	+	10.18	8.71
116	108	Treas 12¾pc 1992	115	+	11.06	8.64
106	97	Treas 10pc 1992	105	+	9.52	8.67
49	46	Treas 8pc 1992 (£50pd)	47	+	8.15	8.47
108	99	Treas 10½pc Cv 1992	107	+	9.80	8.67
		Five to Fifteen Years				
115	106	Exch 12¼pc '92	113	+	10.75	8.83
121	111	Exch 13½pc 1992	119	+	11.33	8.84
107	97	Treas 10pc 1993	105	+	9.486	8.76
118	108	Treas 12½pc 1993	116	+	10.70	8.86
95	82	Funding 6pc 1993	93	....	6.40	7.25
125	114	Treas 13¾pc 1993	123	+	11.16	8.90
129	119	Treas 14½pc 1994	127	+	11.35	8.90
124	113	Exch 13½pc 1994	122	+	11.01	8.99
107	97	Treas. 10pc Ln. 1994	106	+	9.43	8.80
120	109	Exch. 12½pc 1994	118	+	10.58	9.00
103	92	Treas 9pc 1994	102	+	8.83	8.62
118	107	Treas 12pc 1995	116	+	10.33	9.01
82	76	Exch 3pc Gas 90-95	82	+	3.69	6.02
109	98	Exch 10¼pc 1995	107	+	9.52	8.89
123	112	Treas. 12¾pc 1995	122	+	10.44	8.93
130	118	Treas. 14pc '96	128	+	10.89	9.13
102	92	Treas 9pc 1992-96	101	+	8.90	8.70
139	126	Treas 15¼pc 1996	137	+	11.12	9.05
127	116	Exch 13¼pc 1996	125	+	10.56	9.01
89	81	Redemption 3pc 1986-96	87	+	3.47	4.75
108	96	Conversion 10pc 1996	106	+	9.37	8.91
128	116	Treas 13¼pc 1997	126	+	10.47	9.04
111	100	Exch 10½pc 1997	109	+	9.56	8.95
101	90	Treas 8¾pc 1997	99	+	8.79	8.80
100	90	Treas. 8¾pc '97 'B'	99	+	8.75	8.75
140	126	Exch 15pc 1997	137	+	10.90	9.26
106	95	Exch. 9¾pc 1998	105	+	9.24	8.92
88	78	Treas 6¾pc 1995-98	87	+	7.71	8.52
145	131	Treas. 15½pc '98	143	+	10.79	9.19
122	109	Exch. 12pc 1998	120	+	9.96	9.06
106	95	Treas 9½pc 1999	105	+	9.05	8.80
124	111	Exch. 12¼pc 1999	122	+	9.98	9.05
113	101	Treas. 10½pc 1999	111	+	9.44	8.94
111	99	Conversion 10¼pc 1999	109	+	9.36	8.95
32	29	Tr 8½pc 2000 (£30pd)	30	+	8.66	8.73
103	91	Conversion 9pc 2000	101	+	8.86	8.79
131	117	Treas. 13pc 2000	129	+	10.03	9.08
110	98	Treas 10pc 2001	108	+	9.19	8.87

BRITISH FUNDS—Contd

1987 High	Low	Stock		Price £	+ or –	Yield (1)	(2)
		Index-Linked	(b)				
131	125	Treas. 2pc '88	(297.3)	130	+	—	2.66
117	108	Do. 2pc '90	(333.9)	116	+	1.10	2.28
99	93	Do. 2pc '92	(385.8)	97	–	2.11	2.69
128	119	Do. 2pc '96	(267.9)	125	–	3.26	3.75
111	101	Do 2½pc '01	(308.8)	104	–	3.70	4.08
110	100	Do. 2½pc '03	(310.7)	103	–	3.55	4.05
113	103	Do. 2pc '06	(274.1)	105	–	3.52	3.94
108	98	Do 2½pc '09	(310.7)	100	–	3.48	3.86
113	103	Do. 2½pc '11	(294.1)	105	–	3.55	3.80
95	86	Do. 2½pc '13	(351.9)	87	–	3.51	3.75
103	94	Do. 2½pc '16	(322.0)	95	–	3.31	3.68
101	91	Do. 2½pc '20	(327.3)	93	–	3.41	3.62
86	77	Do. 2½pc '24	(385.3)	79	–	3.36	3.56

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for October 1986: 388.4 and for May 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113	99	African Dv Bk 11¼pc Ln 2010	111	+	10.01	9.87
109	95	Asian Dev Bk 10¼pc Ln 2009	107	+	9.58	9.47
136	119	Australia 13½pc 2010	133	+	10.08	9.77
118	102	Do. 11¼pc Ln 2015	115	+	9.85	9.74
115	102	Euro Inv Bk 11pc Ln 2002	112	+	9.76	9.40
110	97	Do. 10¼pc 2004	108	+	9.60	9.40
126	112	Int-Am Dev Bk 12½pc 2003	123	+	10.09	9.52
104	90	Do. 9¼pc Ln 2015	102	+	9.55	9.52
97	83	Mysa 10¾pc Ln 2009	96	+	11.17	11.21
102	99	Malaysia 12¼pc '88	101	....	12.13	11.34

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30 3/16	22⅞	Sara Lee $1	28½xd	−1/16	$1.00	—	2.2
11 1/16	8⅜	Saul (B. F.) $1	9⅝	+1/16	20c	—	1.3
26¾	19⅞	Southwestern Bell $1	24	....	h$2.32	—	5.9
17⅝	14¼	Staley Continental	26½	−⅛	80c	—	3.0
44 7/16	36½	Sun Co. Inc. $1	40⅝xd	+⅜	$3.00	—	4.5
37	28½	TRW Inc. $1¼	33⅜	+⅝	h$1.60	—	2.9
31	25⅞	Tenneco $5	30	+¼	$3.04	—	6.2
187½	149½	Do 10pcLn.Stk. 91-5	187½xd	....	10%	—	5.5
26¼	17 1/16	Texaco $6.25	23¼xd	+1/16	$3.00	—	7.7
61½	47¼	Time Inc. $1	61½	+2½	$1.00	—	1.0
14½	11	Tracor $0.33	12 13/16	+⅛	40c	—	1.9
24⅝	18⅞	Transamerica $1	22 1/16xd	+⅜	$1.76	—	4.9
11¼	922p	Transworld Corp $5	11¼	....	20c	—	1.1
42½	29¾	TRINOVA Corp.	42½	+½	h$1.00	—	1.4
19⅝	15 1/16	♥USX $1	19 5/16	−1/16	$1.20	—	3.8
18¾	15 3/16	Union Carbide $1	18 7/16	+1/16	$1.50	—	5.0
35 1/16	26⅞	Utd. Technologies	38½	+¼	$1.40	—	2.8
36⅝	27	US West‖	32¼	+⅜	$3.28	—	6.2
25	17⅛	Waste Management $1	24½	+⅛	—	—	—
£22¾	£20½	Whirpool $1.0	£22⅞	+¼	—	—	—
33 7/16	26	♥Woolworth $3½	33 1/16	−3/16	$1.32	—	2.4

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
20½p	10p	♥Abbot Energy Corp.	20½p	.....	—	—	—
25¾	10⅛	♥Amer. Barrick Res.	21½	−1	—	—	—
122p	52p	Amlel0	94p	−3	—	—	—
19¼	14⅝	Bk. Montreal ‖	15⅛	.....	$2.00	—	6.1
10½	745p	Bk. Nova Scot.‖	784p	−7	72c	—	4.2
20⅝	18	BCE ‖	19⅛	+¼	$2.40	—	5.8
960p	712p	♥Bow Valley‖	818p	+3	40c	—	2.5
19¼	12⅞	♥Brascan‖	15	−⅛	89c	—	2.7
609p	277p	♥Breakwater Res.	412p	+1	—	—	—
11⅝	894p	Can Imp.Bk. $2	944pxd	−19	$1.08	—	5.3
12	865p	Can. Pacific ‖	11	−⅛	48c	—	2.0
42½	37½	Do. 4pc Deb £100	41½xd	....	4%	—	9.6
27½	15⅛	♥Echo Bay Mines	22⅛	−⅛	20c	—	0.4
170p	66p	Euro-Asia Capital Ltd.	170p	+8	—	—	—
733p	283p	Galactic Resources	456p	+2	—	—	—
69p	32p	Global Data Systems	47p	+1	—	—	—
873p	399p	♥Granges Explor‖	618p	−4	—	—	—
18½p	10p	♥Gt Pacific Res	16½p	.....	—	—	—
14½	781p	♥Gulf Canada‖	13⅛	−⅛	52c	—	1.8
13¾	10	♥Hawker Sid Can‖	12 1/16	−1/16	96c	—	3.7
740p	460p	Henlys Group	590p	+25	—	—	—
14¼	10⅝	Hudson's Bay ‖	10⅛	+⅛	60c	—	2.6
34½	24¼	♥Imperial Oil‖	31⅞	−⅝	s$1.60	—	2.3
11⅝	782p	Inco‖	10¾xd	−¼	US$0.20	—	1.1
25⅛	14¼	♥Intl. Corona Res.	17½	+⅛	—	—	—
687p	575p	♥Inland Nat. Gas $1	687p	+14	60c	—	4.0
363p	158p	♥Moscocho Expln.	240p	−5	—	—	—
10	748p	♥Ntd Business Syst.‖	882p	+12	—	—	—
12	927p	♥Rio Algom	979p	+9	$1.30	—	6.1
19⅛	14¼	Royal Bk. Can. ‖	14⅞	.....	$2.00	—	6.2
49½	40⅛	Seagram‖	44⅛	+⅛	US$1.00	—	1.4
14⅞	11½	Toronto-Dom. Bk.‖	12 13/16	−1/16	84c	—	3.0
228p	19p	♥Trans Atlantic Res ‖	128p	+9	—	—	—
10⅛	789p	♥Trans Can Pipe	789p	−15	$1.12	—	6.5
184p	124p	Vanity Corp‖	151p	+3	B—	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
187	146	ANZ $A1	183xd	....	b020.7c	2.4	4.8	8.8
*£154	£135¾	Algemene Fl.100	£140xr	+4¼	n027%	2.1	5.9	8.0
*273	220	Allied Irish	241	+3	061.6%	♦	5.9	♦
70	56	Anglo Irish	63	....	019.6%	1.4	7.0	15.0
92	84	Ansbacher (H.) 1p	87	+1	2.0	—	3.1	—
£495	£29¼	Banco de Bilbao S.A.	£31½	−1½	038%	3.0	3.0	—
£29½	£23½	Banco de Santander	£27½	....	023.2%	♦	1.6	♦
*243	176	Bank Ireland IrE1	218xr	....	n016.9%	♦	7.1	♦
£14	£11½	Bank Leumi	£14	....	—	—	—	—
[illegible]								

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]							
140	85	Anglo-Dominion	102	–4	—	—	—
90	21	♦Colby Res Corp	55	–1	—	—	—
*295	127	Cons. Murch. 10c	230	......	Q60c	4.4	8.1
*70½	37½	♦Emes.Int.Ir10p	56xr	...	—	—	—
518	151	Greenwich Res	298	+14	—	—	—
£12⅛	963	Hemlo Gold Mines	£10¼	–⅛	—	—	—
355	190	♦Highwood Res	275	+1	—	—	—
£25⅞	£16½	Homestake Mining $1	£20⅝	–⅜	Q20c	—	0.6
442	150	♦McFinley Red Lake	332	+1	—	—	—
166	86	♦Musto Explorations	128	.....	—	—	—
100	37½	♦New Sabina Res C$1	70	+1	—	—	—
580	200	Northgate C$1	458	+2	—	—	—
237	104	Nor-Quest Resources	180	...	—	—	—
£11⅛	698	RTZ	963	–21	23.5	♦	—
£230¾	£113¾	Do. 9½pcLn '95-2000	£199⅝	–3	Q9½%	15.5	‡4.9

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelscot Group 10p	465	......	3.5	2.7	1.0	50.0
35	28	Aberdeen Am Pet 10p	33	.....	—	—	—	—
125	110	Allied Ins. Brokers	123	–1	L3.5	2.5	4.0	14.3
15½	9	Ardmore Pet. 'A'	11	–½	—	—	—	—
77	45	Catalyst Comms. 5p	69	+1	—	—	—	28.7
200	168	Chelsea Artisans 5p	190	–5	—	—	—	25.5
98	47	Corton Beach 10p	83	–7	0.4	♦	0.7	♦
200	150	Crown Eyeglass 5p	195	.....	—	—	—	—
225	102	Edenspring Investment	220	......	—	—	—	—
*62	18	Eglinton Oil Ir.5p	29	......	—	—	—	—
41	17	Do. Warrants	19	......	—	—	—	—
59	17	Publishing Hldgs.5p	59xr	+4	—	—	—	34.2
58	45½	Theme Holdings	57	+7	1.0	♦	2.4	♦
140	111	Unit Group	140ǂ	.....	R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ǂ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	83	......	Fin. 13% 97/02	£110⅞	......
Craig & Rose £1	£17¼	......	Arnotts	335	+2
Finlay Pkg. 5p	97	+3	CPI Hldgs	57	.....
Holt (Jos) 25p	960	......	Carrol Inds.	146	+5
IoM Stm. £1	118	......	Dublin Gas	18	......
			Hall (R. & H.)	103	–1
IRISH			Heiton Hldgs.	33	+1
Fund 11¼% 1988	£100⅞	.....	Irish Ropes	165	......
Nat. 9¾% 84/89	£98½	.....	Unidare	375	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	29	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	50	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62		
Marks & Spencer	22	Cons Gold	95
Midland Bk	55	Lonrho	26
Morgan Grenfell	35	Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jun 1	Jun 11	Jun 12	Jun 22
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20

* New time dealings may take place from 9.00 am two business days earlier.

Equities at new peaks although British Gas fails to attract foreign investors

Hope continued to triumph over experience on the UK stock market yesterday, when the major indices moved up to new peaks despite the absence of the foreign buyers still regarded as the key to the outlook for share prices.

The domestic institutions remained unwilling to let equity prices fall too far, and entered the market at the opening, brushing aside early weakness in the pound and the bond market.

The market's advance was narrowly-based, however, and a mid-session gain of 18 points on the FT-SE index leaned heavily on strong rises in **Reed International, Unilever** and **Glaxo.**

At the close, the *FT-SE 100* had gained a net 11.4 to a new peak of 2320.4, while the FT Ordinary was 7.2 up at 1801.7, the first move above 1800.

Traders admitted to a somewhat lacklustre session. Indicative of the market's relative lack of enthusiasm was **British Gas**, which shaded lower in an absence of foreign interest despite the announcement of profits above City expectations.

Among the other privatisation issues, **British Aerospace** continued to weaken and **British Airways** could make no headway.

Banking and insurance issues had a quieter session, making little response to the sudden move to lower mortgage lending rates led by the Halifax Building Society.

Shares in the housebuilding sector, although also potential beneficiaries from lower housing finance charges, saw little support. **Magnet & Southerns** added £70m to the weight of rights issue demands now lying on the market—on Tuesday **BPCC** called for £630m.

With US oil prices continuing to firm, **Shell** found buyers. UK exporting stocks, such as **Imperial Chemical Industries** and **Jaguar**, again responded to the sluggish trend in the pound.

But much of the interest lay with the UK consumer stocks which feature in the portfolios of the UK investment institutions. **GUS** extended the sharp rise of the past week.

However, the outlook for equities was helped by a firm close in the gilt-edged sector, where the domestic funds showed a willingnes to switch positions. Traders said that the switching showed no particular pattern but indicated a revival of confidence in the near term outlook.

Bonds closed a net ⅜ up, spurred on by a strong close in the LIFFE futures market. Earlier, prices had been ⅜ down, although the rally set in before 10.00 am. Sterling continues to hold the key to daily movements in the gilt-edged sector.

The excitement generated in the Banking sector on Tuesday by NatWest's provision against sovereign debt loans quickly evaporated and prices went easier, reflecting light profit-taking. **Barclays** settled 11 lower at 593p, while **Midland**, still plagued by rights issue rumours, shed 2 to 618p. **Lloyds** managed a minor gain at 600p, while **NatWest** held steady at 751p. **Standard Chartered** continued to ease back as bid speculation waned and the close was 10 down at 783p. Elsewhere, **London and Scottish** addded 3 to 108p, following the first-half figures and optimistic statement.

Composite Insurances attracted good support and made useful headway before settling a shade below the best. The sector was featured by **Commercial Union** which rose 13 to 365p on demand thought to emanate from Greenwell. **GRE** firmed ⅛ to £10¼, while **General Accident** hardened $\frac{1}{16}$ to £10¼. In the Life sector, **Pearl** met with aggressive demand at 414p, up 23p.

Lloyds brokers displayed several bright features. Bid speculation again boosted **Hogg Robinson**, up 15 more at 549p, while comment on the first-quarter figures and take-over hopes lifted **Minet** 17 to 361p.

Leading Buildings continued to give modest ground in the absence of any worthwhile demand. News of the cuts in mortgage raes by two major Building Societies failed to make an impact. **Blue Circle** settled a few pence cheaper at 502p, while recently-firm **BPB Industries** ran into profit-taking and closed 10 off at 843p. **RMC** gave up 5 at 504p, but **Redland** attracted fresh support and gained 9 more to 541p. In the Timber sector, **Magnet and Southerns** fell 19 to 350p following the annual results and details of a proposed £71m rights issue in convertible preference shares. Elsewhere, **F. J. Lovell** shed 10 to 257p following the half-year figures, but **Countryside** jumped 2⅛ points to £11⅜ in reply to the bumper interim results and one-for-three scrip issue proposal. **Raine Industries** atracted good support at 142p, up 7, while **Turriff** gained 11 to 378p in a restricted market.

Market makers identified good institutional buying of **ICI** and the price rose ⅛ to £14½. **Laporte** picked up 8 at 518, while **Coalite** jumped 20 to 391p in a market short of stock.

Leading Stores, an uncertain market recently as investors weighed-up conflicting advices from the latest retail figures and the CBI-FT monthly survey, took fresh heart and finished around the session's best. Forecast was **W. H. Smith A**, finally 15 better at 398p, following publicity given to the group's expansion plans which would involve 3,700 new full-time jobs over the next three years. **Stonehouse**, a relatively depressed stock since the disappointing results recently, rallied 7 to 307p, while substantial interest was also noted for **Next**, 353p, and **Gussies A**, £14¾ up at 7 and ⅛ respectively.

Elsewhere, **Coats Viyella** returned to the fore, closing 29 dearer at 697p reflecting support ahead of the impending one-for-one share split. A "buy" recommendation from BZW lifted **Ward White** and few pence to 429p. **Amber Day**, still drawing strength from the increased holding by a consortium headed by Irving Sellar, touched 69p before settling another 8 to the good on balance at 64p; USM-quoted **John Kent**, in which Amber Day holds a near 24 per cent sake, improved 15 to 101p. Bolton Textile rose 15 to 45p.

Dealings were suspended in **Ladies Pride** at 105p as the group announced details of a proposed merger with Leslie Wise, a London-based textile merchant and fabric convertor. The merger will involve the issue of some 20m Ladies Pride shares to Wise shareholders.

Footwear counters were again highlighted by **Headlam Sims and Coggins** which advanced 20 more to 135p reflecting investment enthusiasm emanating from the chairman's statement that accompanied Tuesday's full-year figures.

British Telecom remained an active market (9.9m) awaiting today's preliminary figures, but closed a shade, lower at 315p. Elsewhere in Electricals, **Hoskyns** rose 10 further to 246p on the better-than-expected interim figures, but **Oxford Instruments** dipped 36 to 389p following the annual results and current year profits warnings. **Electronic Rentals**, recommended for its earnings growth prospects and above average yield by Richard Harwood of Morgan Grenfell, advanced 6 to 70p.

Among Engineers, **Frederick Cooper** gained 6 to 171p on the acquisition of Lamson Engineering for £7.7m from Crest Nicholson and the purchase of privately owned WET Group to be financed by a vendor placing at 150p per share. Elsewhere, **Birmid Qualcast** gained 9 to 256p, while **Deritend** were noteworthy for a gain of 30 at 410p.

Kwik Save, the Liverpool-based discount grocery and supermarket chain, again made the running in a lively Foods sector, to close another 19 to the good at 390p amid vague chatter of a possible approach from a leading retail group in the Far East; the shares have risen 43 so far this week, largely reflecting a strong recommendation from a leading broker. **ASDA-MFI**, dipped a few pence to 187p in the absence of immediate takeover developments, but after-hours interest was noted for recent bid favourite **Bejam** which put on 8½ to 214½p.

Elsewhere in Foods, considerable attention was again directed towards **RHM** which touched 364p amid fresh hopes of a full bid from Australia's Goodman Fielder before finishing only 3 up on balance at 355½p. Publicity given to a broker's circular lifted **Cadbury-Schweppes** a few pence to 277p, while distributors Christian Salveson, down to 164p at one stage, settled a couple of pence dearer on balance at 172p after revealing annual result in line with general expectations. **Hunter Saphir** improved 8½ to 326p, helped by a bullish circular from brokers Gilbert Eliott. Sympathetic support was evident for **Geest**, 296p, while **Squirrel Horn**, rose 12 to 148p. **Watson and Philip**, still buoyed by the 60 per cent jump in first-half profits, advanced 19 more to 231p.

Against the trend, **British Aerospace** ran into further selling and closed 14 down at 540p in the wake of Hoare Govett's downgraded profits forecast for the company. This was prompted by fears about the impact of recent currency movements on the civil aircraft division. Offerings were again persistent with some 6.3m shares changing hands.

Elsewhere in the miscellaneous industrial sector, **Pilkington** were in renewed demand and put on 26 more to 973p. **Reed International** were actively traded (5.7m) and closed 41 to the good at 529p; dealers thought the shares were undergoing a re-rating following the recent sale of its paint and do-it-yourself division, but the rise was also accompanied by vague bide rumorus. Dealings restarted in **Williams Holdings** which closed at 842p. Other outstanding movements among the leaders included **BOC**, 22 to the good at 493p, and **Trafalgar House** 18 higher at 393p. **Cookson**, reflecting publicity given to a broker's circular, made fresh progress at 736p, up 27p.

Silentnight gained 5 to 123 in response to the forecast of record first half profits by the chairman at the annual meeting. **London International** were noteworthy for a rise of 18 at 330p.

Motor Components featured a sharp rise in **Aairflow Streamlines**, finally 37 dearer at 188p: the shares have undergone a substantial re-rating since the group announced pleasing full-year figures at the start of the month.

The auction for **Associated Book Publishing** came to an end yesterday when International Thomson made a recommended offer worth 730p per share for the company. **ASP** shares closed 30 higher at 705p. *Pearson, which also submitted a formal offer for the company*, rose 22 to 652p. In complete contrast, **Lowe Howard-Spink and Bell** came under selling pressure as various adverse market rumours unsettled sentiment and, despite reported denials by the company, the shares closed 46 lower on the day at 444p. Profit-taking after the preliminary figures prompted a reaction of 8 to 325p in **J. Waddington.**

Asda Property continued to attract buyers in the wake of Tuesday's bid approach announcement, the price rose 35 more to 765p, a two-day gain of 115. **A. Caird**, still boosted by news of the stake switching and boardroom changes, advanced 15 more to 215p. St Modwen put on 6 to 70p on details of the acquisition of portfolio properties from Eagle Star Insurance for £12.5m to be financed by a share placing and open offer. *Parkdale jumped 18 to* 147p and **Bradford Property** rose 43 to 683p.

Courtaulds stood out with a *gain* of 18 at 493p, but the volume of business was relatively modest. **Dawson**, reflecting favourable comment left **Stoddard** 25 to the good at 120p.

British Gas attracted sizable business both prior to and after the preliminary figures, but closed a shade cheaper on balance at 188½p having touched 191p at one stage: 42m shares were traded. **British Petroleum** revived with a gain of 6½ at 358p and Shell

South African mining shares firmed up yesterday on the back of some small interest from Johannesburg. Firness in the rand brought a general mark-up in dollar prices towards the close, but traders warned that here was very little buying support.

Both the Continental domestic houses kept out of the way. However, currency factors lowered *sterling prices, and the* FT Gold Shares index ended 8.5 down at 380.2.

Traded Options

Activity in Traded Options improved slightly to result in 66,086 contracts being transacted. Not surprisingly, much of the session's business centred on **British Gas** which attracted a lively trade on the preliminary figures; calls struck amounted to 11,552, of which 3,733 were done in the July 180s and 2,934 in the July 200s. Gas also contributed 6,682 puts. **British Telecom**, full-year figures scheduled for today, recorded 1,712 calls and 1,187 puts. Elsewhere, retail group **Sears** were again in demand and attracted 2,191 calls, almost 1,000 of which were done in the June 160 series.

Traditional Options

- **First dealings June 8**
- **Last dealings June 19**
- **Last declaration Sept 10**
- **For Settlement Sept 21**

For rate indications see end of Unit Trust Service

Call options were arranged in **Amstrad, Property Trust, Electronic Rentals, Munton Brothers, Norfolk Capital, British Gas, Astra Industrial, Helene of London, ASDA-MFI, Bolton Textile, Ryan International, London International, Tie Rack, Briden, Blacks Leisure** and **Benjamin Priest.** Puts were taken out in **Allied London Properties** and **Hawthorn Leslie**, while doubles were completed in **Norton Opax** and **Thomas Locker A.**

FINANCIAL TIMES STOCK INDICES

	June 17	June 16	June 15	June 12	June 11	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.38	92.28	92.04	92.70	92.64	90.63	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.85	99.08	99.12	98.79	98.84	96.56	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1801.7	1794.5	1786.6	1767.9	1,740.8	1,340.1	1,801.7 (17/6)	1,320.2 (2/1)	1,801.7 (17/6/87)	49.4 (26/6/40)
Gold Mines	380.2	388.7	388.1	409.3	399.2	220.9	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.17	3.19	3.20	3.24	3.28	4.11				
Earnings Yld.%(full)	7.66	7.71	7.74	7.81	7.91	9.90				
P/E Ratio (net) (*)	16.09	15.99	15.93	15.79	15.58	12.29				
SEAQ Bargains (5 pm)	52,863	52,118	58,291	69,647	46,011	—				
Equity Turnover (£m)	—	1715.75	1716.32	2362.83	1877.58	548.40				
Equity Bargains	—	63,295	68.993	74,477	55,886	22,318				
Shares Traded (ml)	—	—	768.3	956.2	652.9	242.2				

S.E. ACTIVITY

Indices	June 16	June 15
Gilt Edged Bargains	151.6	160.7
Equity Bargains	410.1	447.0
Equity Value	3468.0	3469.13
5-Day Average		
Gilt Edged Bargains	167.3	173.2
Equity Bargains	417.1	402.2
Equity Value	3763.6	3523.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1800.1	1802.6	1802.9	1803.4	1804.0	1805.3	1802.8	1801.8

Day's High 1806.1. Day's Low 1798.2. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.77.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (358)

AMERICANS (4). BANKS (7). BREWERS (10). BUILDINGS (36). CHEMICALS (6). STORES (10). ELECTRICALS (22). ENGINEERING (21). FOODS (20). HOTELS (4). INDUSTRIALS (60). INSURANCE (4). LEISURE (8). MOTORS (7). NEWSPAPERS (55). PAPER (12). PROPERTY (36). SHIPPING (1). SHOES (4). TEXTILES (7). TRUSTS (66). OILS (5). MINES (3).

NEW LOWS (3)

LOANS (1) N'wide 3⅞pc IL Ln 2021. BANKS (1) Algemene. INDUSTRIALS (1) Fitzwilton.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	8,700	187	−5	Ladbroke	2,100	436	+4
Allied Lyons	4,000	440	—	Land Securities	3,500	559	−1
Amstrad	7,100	175	−6	Legal & Gen.	688	360	−1
Argyll Group	1,400	497	+1	Lloyds Bank	1,400	600	+2
Assoc. Brit. Foods	13	410	+2	Lonrho	1,600	272	−6½
BAT	7,200	604	+10	MEPC	966	517	−3
BET	1,500	290	+2	Marks & Spncr	2,700	267	−3
BOC	1,600	493	+22	Midland Bank	1,300	618	−2
BPB Inds	282	843	−10	NatWest Bank	3,000	751	−2
BPCC	2,700	292	+3	Next	3,350	353	+7
BTR	3,000	339	+5	Pearson	3,800	652	+22
Barclays	4,300	593	−11	P & O	1,100	705	+3
Bass	777	£10½	+⅛	Pilkington Bros	1,500	973	+26
Beecham	2,800	572	+8	Plessey	2,600	225	−1
Blue Circle	286	502	−3	Prudential	1,200	£11	−⅛
Boots	3,100	297	−3	Racal	3,100	263	−4
Brit. Airways	7,500	157	−2½	Rank Org	260	802	+5
Brit. Aero	4,000	540	−14	RHM	4,200	355½	+3
Brit. & Comm.	204	463	+1	Reckitt & Col	60	£11¼	—
British Gas	39,650	188½	−1½	Redland	1,400	541	+9
Britoil	2,300	315	+4½	Reed Intl.	5,475	529	+41
BP	5,700	358	+6½	Reuters	407	850	+6½
Brit. Telecom	9,900	315	−1½	RMC	157	504	−5
Bunzl	685	249	+2	RTZ	898	963	−21
Burton	2,100	354	−2	Rolls-Royce	6,200	124	−5
Cable & Wire	773	422	−1	Rowntree Mac	710	548	—
Cadbury Schwps	6,200	277	+2	Ryl Bank Scotland	90	364	—
Coats Viyella	1,400	697	+29	Royal Insurance	2,250	508	—
Comm. Union	5,500	365	+13	STC	578	313	−2
Cons. Gold	1,200	£10	−⅛	Saatchi & Saatchi	4,900	669	+1
Cookson	1,100	736	+27	Sainsbury	1,200	602	+3
Courtaulds	1,600	493	+18	Scott & Newcastle	807	257	+2
Dee Corpn	4,100	256	+1	Sears	3,300	165½	−½
Dixons Grp	1,100	384	+5	Sedgwick	1,000	289	—
English China Clays	204	483	−2	Shell Trans	3,100	£13¼	+⅛
Fisons	842	392	+8	Smith & Nephew	1,100	187	+3½
Gen. Accident	1,000	£10¼	+$\frac{1}{16}$	Standard Chart	442	783	−10
Gen. Elect	8,600	242½	−½	Storehouse	4,100	307	+7
Glaxo	973	£17⅞	+⅜	Sun Alliance	260	£10½	+$\frac{1}{16}$
Globe Investment	198	184	+1½	TSB	8,100	102	+2
Granada	406	348	+1	Tarmac	2,700	317	−4
Grand Met	2,200	569	−6	Tesco	2,100	612	+1
Gus "A"	47	£14¾	+⅛	Thorn EMI	2,500	733	−14
Guardian R.E.	800	£10¼	+⅛	Trafalgar House	4,500	393	+18
GKN	4,750	335	+7	T'house Forte	2,250	266	−1
Guinness	9,500	381	−6	Unigate	457	429	+1
Hanson Trust	14,000	166½	—	Unilever	663	£33$\frac{1}{16}$	+$\frac{3}{16}$
Hawker Sidd	2,800	522	+4	United Biscuits	1,700	337	+2
Hillsdown Hldgs	3,200	310	+7	Wellcome	279	437	+3
ICI	1,300	£14¼	+⅛	Whitbread "A"	182	358	−2
Jaguar	2,600	555	+6	Woolworth	2,150	447	+1

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	11	10
Corporations, Dominion and Foreign Bonds	16	9	33
Industrials	748	283	523
Financial and Properties	318	62	218
Oils	43	20	51
Plantations	2	1	11
Mines	37	68	83
Others	101	63	84
Totals	1,357	517	1,013

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed June 17 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues June 16 Index No.	Mon June 15 Index No.	Fri June 12 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	963.76	+0.4	7.14	2.78	17.62	9.84	959.86	955.03	945.84	730.66
2	Building Materials (28)	1269.61	−0.1	6.75	2.67	18.51	12.92	1270.40	1274.76	1268.31	787.80
3	Contracting, Construction (33)	1725.17	+1.3	7.00	2.76	19.17	19.05	1702.29	1687.20	1651.95	1208.33
4	Electricals (13)	2434.23	+0.6	5.48	3.23	24.52	31.62	2419.27	2401.85	2355.81	1956.43
5	Electronics (35)	2133.05	−0.3	7.22	2.09	18.02	12.62	2139.94	2104.18	2098.33	1694.05
6	Mechanical Engineering (60)	503.13	+0.2	8.29	3.40	15.13	7.31	502.01	504.09	499.44	411.76
8	Metals and Metal Forming (7)	531.54	+1.0	6.99	2.86	17.24	5.48	526.52	527.50	519.41	355.01
9	Motors (15)	364.05	+0.9	8.38	2.94	13.89	3.42	360.73	360.68	355.31	308.15
10	Other Industrial Materials (21)	1600.41	+1.4	6.22	3.09	19.39	18.77	1578.78	1564.34	1541.95	1323.56
21	CONSUMER GROUP (185)	1353.49	+0.9	5.89	2.46	21.80	13.05	1341.59	1338.15	1329.39	919.26
22	Brewers and Distillers (22)	1235.13	−0.4	7.66	2.86	16.51	11.65	1240.56	1239.20	1238.34	943.80
25	Food Manufacturing (25)	1044.57	+0.9	6.71	2.91	19.40	12.74	1035.03	1026.62	1009.88	670.12
26	Food Retailing (15)	2600.57	+0.3	5.04	2.21	27.12	21.12	2593.03	2549.11	2524.09	1811.86
27	Health and Household Goods (10)	2592.70	+1.7	3.90	1.54	30.06	14.62	2548.89	2556.09	2554.01	1599.61
29	Leisure (31)	1382.12	+0.4	5.77	3.07	22.80	16.11	1376.46	1372.19	1356.72	897.87
31	Packaging & Paper (15)	693.17	+1.2	6.02	2.48	20.96	7.40	685.06	687.54	677.22	680.84
32	Publishing & Printing (15)	4106.88	+3.9	5.51	2.97	23.36	54.63	3953.74	3932.90	3875.13	2544.42
34	Stores (36)	1146.50	+0.2	6.30	2.49	21.43	11.73	1144.74	1152.04	1149.47	875.67
35	Textiles (16)	806.62	+3.4	7.59	2.78	15.28	10.56	780.03	764.52	759.17	530.98
40	OTHER GROUPS (86)	1123.62	+0.7	7.45	3.01	16.79	9.74	1115.75	1125.41	1116.60	796.49
41	Agencies (16)	1628.38	+0.5	4.22	1.48	31.25	9.50	1620.13	1600.81	1554.27	0.0
42	Chemicals (21)	1365.84	+1.6	7.15	3.22	17.15	19.32	1344.41	1350.56	1327.78	890.70
43	Conglomerates (11)	1368.83	+1.3	7.66	3.26	14.92	13.73	1351.71	1360.61	1356.10	0.0
45	Shipping and Transport (11)	2267.75	+0.1	6.96	3.55	18.01	37.76	2265.20	2277.40	2258.12	1494.30
47	Telephone Networks (2)	1214.51	−0.4	7.70	3.09	17.71	1.09	1219.75	1245.96	1255.38	907.38
48	Miscellaneous (25)	1518.24	+1.5	8.68	2.90	13.80	18.08	1496.21	1502.17	1475.40	1044.47
49	INDUSTRIAL GROUP (483)	1203.21	+0.7	6.62	2.69	19.13	11.44	1194.65	1194.43	1185.27	849.90
51	Oil & Gas (17)	2216.30	+1.0	4.93	4.17	26.25	37.29	2193.97	2225.57	2202.84	1196.97
59	500 SHARE INDEX (500)	1289.11	+0.8	6.37	2.91	19.93	13.70	1279.37	1281.89	1271.57	881.03
61	FINANCIAL GROUP(118)	814.56	+0.4	—	3.60	—	12.57	812.30	798.29	780.26	593.99
62	Banks (8)	853.43	−0.4	16.23	4.39	8.14	15.49	856.67	827.98	817.67	623.00
65	Insurance (Life) (9)	1164.73	−0.1	—	3.62	—	20.71	1166.07	1163.03	1139.27	835.18
66	Insurance (Composite) (7)	606.81	+0.9	—	4.03	—	11.76	601.11	583.82	565.77	477.45
67	Insurance (Brokers) (9)	1214.93	+1.3	8.86	4.44	14.55	26.32	1198.85	1191.89	1162.35	1178.71
68	Merchant Banks (11)	403.81	+0.6	—	3.18	—	4.41	401.50	402.42	391.53	363.03
69	Property (46)	1244.28	+0.9	3.72	2.35	34.90	10.92	1232.61	1224.81	1188.22	775.41
70	Other Financial (28)	525.33	+1.1	6.23	3.03	20.22	5.42	519.62	521.46	508.34	345.38
71	Investment Trusts (93)	1072.50	+0.8	—	2.23	—	10.58	1064.21	1062.76	1052.87	748.64
81	Mining Finance (2)	485.01	−2.3	6.30	3.42	18.65	6.79	496.22	501.38	512.15	274.18
91	Overseas Traders (11)	1054.11	−0.1	8.62	4.40	13.77	22.64	1055.15	1049.82	1051.53	675.55
99	ALL-SHARE INDEX(724)	1158.35	+0.7	—	3.01	—	13.26	1150.71	1149.72	1138.39	797.90

	Index No.	Day's Change	Day's High	Day's Low	June 16	June 15	June 12	June 11	June 10	Year ago
FT-SE 100 SHARE INDEX ‡	2320.4	+11.4	2327.6	2316.3	2309.0	2307.6	2289.5	2249.3	2256.1	1619.0

FIXED INTEREST

	PRICE INDICES	Wed June 17	Day's change %	Tues June 16	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.60	+0.12	124.45	—	5.47
2	5-15 years	145.57	+0.29	145.15	—	6.64
3	Over 15 years	156.23	+0.31	155.74	—	6.68
4	Irredeemables	170.99	+0.03	170.94	—	6.30
5	All stocks	141.51	+0.24	141.17	—	6.30
	Index-Linked					
6	5 years	122.40	+0.06	122.33	—	0.83
7	Over 5 years	115.70	−0.08	115.79	—	1.43
8	All stocks	116.07	−0.07	116.15	—	1.36
9	Debentures & Loans	124.93	−0.07	125.02	—	5.86
10	Preference	89.77	—	89.77	—	3.01

	AVERAGE GROSS REDEMPTION YIELDS		Wed June 17	Tues June 16	Year ago (approx.)
	British Government				
1	Low	5 years	7.89	7.92	7.57
2	Coupons	15 years	8.65	8.68	9.06
3		25 years	8.67	8.69	9.13
4	Medium	5 years	8.67	8.72	9.14
5	Coupons	15 years	8.88	8.92	9.40
6		25 years	8.89	8.92	9.40
7	High	5 years	8.88	8.93	9.29
8	Coupons	15 years	9.02	9.05	9.55
9		25 years	8.84	8.85	9.46
10	Irredeemables	†	8.75	8.75	8.88
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.50	2.51	3.83
12	Inflat'n rate 5%	Over 5 yrs	3.78	3.77	3.40
13	Inflat'n rate 10%	5 yrs	2.13	2.14	2.57
14	Inflat'n rate 10%	Over 5 yrs	3.70	3.69	3.23
15	Debs &	5 years	9.76	9.84	10.04
16	Loans	15 years	9.93	9.93	10.21
17		25 years	10.00	9.97	10.26
18	Preference	†	10.11	10.11	10.43

‡Opening index 2317.5; 10 am 2321.0; 11 am 2320.9; Noon 2320.5; 1 pm 2325.0; 2 pm 2326.4; 3 pm 2322.9; 3.30 pm 2320.5; 4 pm 2321.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*441)	390	55	73	83	2	7	11
	420	33	50	63	9	15	20
	460	13	28	40	32	37	45
Brit. Airways (*157)	140	20	28	43	5	10	11
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*381)	300	90	95	—	2	4	—
	330	60	70	82	3	10	13
	360	37	52	65	10	20	28
	390	20	35	50	22	35	38
Ladbroke (*436)	420	—	—	57	—	—	23
	443	22	32	—	23	30	—
	460	12	21	35	35	42	43
LASMO (*289)	240	59	70	82	7	11	17
	260	39	57	72	11	18	22
	280	29	47	60	20	27	33
	300	19	35	45	31	34	40
P. & O. (*704)	638	77	93	113	5	15	20
[illegible]							

June 17. Total Contracts 66,086. Calls 44,591. Puts 21,495. FT-SE Index Calls 1,062. Puts 1,780. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§132	F.P.	30/6	177	155	B.D.A. Hldgs. 10p.	172	......	L2.5	3.70	2.0	18.8
§77	F.P.	—	114	90	*Barrett (Henry) 10p*	114	+6	R2.81	2.2	3.4	18.1
§77	F.P.	30/6	108	96	‡BondedLaminates10p	108	+3	L2.4	2.4	3.0	18.9
§185	F.P.	6/7	242	210	Chemoxy Intl.	240	......	L4.9	2.7	2.8	16.9
—	F.P.	—	19	10	ChildHealthRes.Wrts	15	......	—	—	—	—
§125	F.P.	—	185	145	‡Colorgraphic 10p	185	......	L3.0	2.8	2.2	21.5
‡230	F.P.	10/7	297	278	Computer People 5p	295	......	u3.6	3.2	1.7	25.8
§56	F.P.	17/7	82	75	‡de Morgan 5p	79	+2	R1.0	4.3	1.7	18.5
§76	F.P.	19/6	99	76	‡GC Floor & Furn's	84	−1	L1.95	2.8	3.18	15.4
§170	F.P.	1/7	205	188	Hambros Adv.Tech Tst.	192	−2	—	—	—	—
§130	F.P.	15/7	170	163	Neotronics 5p	166	......	R1.8	4.2	1.5	22.1
—	F.P.	—	120	80	OriflameIntWarrants‖	120	......	—	—	—	—
125	F.P.	26/6	190	180	Pickwick	188	......	R2.5	3.1	1.8	24.6
§83	F.P.	—	98	88	Practical Invs.	98	+1½	—	—	—	—
§¶	F.P.	—	106	94	River&Merc Cap 12½p	106	+2	—	—	—	—
¶¶	F.P.	—	103	98	Do. Inc. 12½p	99	+1	H5.67	—	7.8	—
¶¶	F.P.	—	34	18	Do. Wts. 12½	34	......	—	—	—	—
¶¶	F.P.	—	102	98	Do.Stepped Prf 12½p	101	......	H4.20	—	5.7	—
170	85	23/9	154	123	Rolls-Royce 20p	123	−5	W4.99	2.7	5.3	12.6
‡100	F.P.	—	103	97	Sateure Insurance	97	−6	—	—	—	—
§125	F.P.	19/6	200	155	‡Sharp & Law 10p	185	......	u3.0	2.4	2.2	25.3
§92	F.P.	24/6	100	96	‡Shoraiplan 5p	96	......	u1.6	3.6	2.1	16.5
¶¶	F.P.	—	162	135	Smith Doctors 5p	160	......	0.25	—	2.14	—
125	F.P.	15/7	270	224	‡Sock Shop Intl.5p	270	+10	R1.35	3.8	6.8	52.2
145	F.P.	—	195	163	Tie Rack 5p	163	−5	R1.1	4.2	8.5	38.5
§125	F.P.	2/6	167	158	‡UCL Group 5p	167	......	u2.5	2.8	2.1	23.6
§130	F.P.	—	182	176	Warner Howard 5p	177	−3	R2.66	2.70	2.1	23.4
135	F.P.	4/9	173	160	Wehmiller(Barry)Intl.5p	173	+8	R4.0	2.9	3.2	12.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
—	F.P.	—	115	98	Burndene Invs. 15% Uns.Ln. 2007-12	107	−3
§95.982	£25	30/11	28¼	25¼	Cap & Counties 9⅞% 1st Mt. Db 2027	26½	−1¼
§99.239	F.P.	20/7	99¼	98⅞	Dares Est. 10¼% 1st Mt. Deb. 2012	99⅛	......
‖	Nil	—	33pm	27ppm	Dencora 6¼% Cum. Red. Pf.	31ppm	......
¶¶	F.P.	—	143p	108p	‡Gibbons Lyons 7% Cnv Cum Red Pf. (£1)	140p	......
—	£25	28/8	26½	23¼	Gt. Portland Ests. 9½% 1st Mt. Db 2016	24	−1¼
—	£10	24/7	11	11	Mid-Southern Water 7% Red. Prf. 1997	11	......
—	F.P.	—	101	99⅞	Nationwide 8⅞pc 23.5.88	100	......
—	F.P.	—	100$\frac{1}{16}$	99$\frac{15}{16}$	Do. 8$\frac{13}{16}$ pc Bds 20/6/88	100	......
‖	Nil	29/7	27ppm	20ppm	Noble & Lund 8pc CnvCumRedPrf(£1)	20ppm	......
—	£25	11/11	25½	23	*North Housing Assoc. 8¾% Gtd. ln.2037*	24$\frac{1}{16}$	......
—	F.P.	7/7	298p	240p	Do. Zero Cpn. Ln. 2027	295p	+10
—	F.P.	—	175p	160p	P&O Subs. Warrts. 1988-92 (Am. Wrrts)	160	−5
§95.221	£25	2/10	26	23½	Peachey Property 9½% 1st Mt.Deb.2015	23½	−1⅜
—	£40	12/8	42	38¼	Peel 9⅞pc 1st Mt. Deb. 2011	40⅛	−1¼
§—	F.P.	15/7	106p	101p	Prowting 8.3% Cum. Red. Prf 2002 (£1)	104p	−1
§—	F.P.	—	174p	172p	Do. 13¾% Cum. Prf. (£1)	173½p	......
§98.221	£25	9/10	26¼	23⅞	Scot. Eastern Inv.Tst. 9¾% Deb 2020	23⅞	−1¼
¶¶	F.P.	—	118p	106p	Spong Cnv. Com. Red. Prf. (20p)	118p	+3
§98.105	F.P.	10/7	101⅛	99⅛	Tr Ind & Gen Tst. 10% Deb 2016	99⅝	−1½

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
210	Nil	24/7	81pm	42pm	Arlington Securities 10p	81pm	+6
136	Nil	24/7	83pm	76pm	Bank Ireland cap. (Ir £1)	76pm	−2
350	Nil	23/7	85pm	48pm	Berkeley Group	85pm	+5
¶¶	Nil	19/6	625pm	173pm	*Braithwaite £1*	235pm	+62
625cts	Nil	19/6	130pm	80pm	Cons Murchison	80pm	−10
DM450	Nil	—	300pm	252pm	Deutsche Bk. Dm50	300pm	......
25	Nil	24/7	27½pm	15pm	Epicure Hldgs. 5p.	27½pm	+2
250	Nil	22/7	100pm	85pm	‡FKB Group 5p	95pm	−5
210	Nil	29/7	66pm	44pm	Hazlewood 10p	66pm	+8
397	Nil	20/7	40pm	15pm	‡KLP Group 5p	30pm	......
265	Nil	15/7	114pm	84pm	Kennedy Brookes 10p	109pm	......
180	Nil	10/7	75pm	65pm	Quick (H. & J.) 10p	73pm	+2
21	Nil	17/7	9½pm	7pm	Rock 10p.	7½pm	−½
345	Nil	17/7	99pm	60pm	‡Tay Homes	99pm	......
575	Nil	24/7	85pm	67pm	WCRS Grp. 10p.	85pm	+8

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. § Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. ‡ Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ *Allotment price.* ‡ *Unlisted securities market.* †† *Official London listing.* ## Including warrants entitlement. ‡ Placing and offer for sale price.

WORLD STOCK MARKETS

AUSTRIA

June 17	Price Sch%	+ or −
Creditanstalt	1910.00	−10
Goesser	2650.00	+10
Interunfall	108.00	
Jungbunzlauer	7225	
Laenderbank	1767.00	+2
Perlmooser	689.00	+1
Steyr-Daimler	128.00	
Veitscher Mag	710.00	

BELGIUM/LUXEMBOURG

June 17	Price Frs.	+ or −
B.B.L.	3240	
Banque Gen. Du. L.	15300	
Bank Int. A	14300	
Bekaert B	10250	+25
Ciment CBR	5250	+30
Cockerill	175	−7
Delhaize	3200	
EBES	4960	+60
Fabrique Nat	1655	
GB Inno BM	1130	−30
GBL (Brux) L	3810	
Generale Bank	6230	+70
Gevaert	6710	+10
Hoboken	7180	+20
Intercom	3950	+20
Kredietbank	4530	+30
Pan Holdings	12500	+100
Petrofina	11275	+50
Royale Belge	5920	+100
Soc Gen Belge	3455.00	−5
Sofina	14000	+175
Solvay	12100	−300
Stanwick Intl	450	
Tractebel	7300	
UCB	9400	
Wagons Lits	5400	+100

DENMARK

June 17	Price Kr %	+ or −
Baltica Skand	955.00	
Cop Handelsbank	291.00	
D Sukkerfab	331.00	
Den Danske Bank	367	
East Asiatic	201.00	
Forenede Brygg	840	
GNT Holding	260.00	
I.S.S.B. Systems	780.00	
Jyske Bank	555	
Novo Inds.*	276.00	
Privatbanken	275.00	
Sophus Berendsen	925.00	−9
Superfos	229.00	

FINLAND

June 17	Price Mka	+ or −
Amer	221.5	−1
KOP	49.7	−0.55
Kone	222.5	−0.5
Finnish Sugar	89.45	−2.05
Nokia	166.5	−1
Pohjola 'B'	83.1	−0.35
Rauma-Repola	28.1	−0.15
Stockmann 'B'	243.5	−2.5
UBF 'C'	33.25	−0.2
Utd. Paper	150.5	−1
Wartsila (s11)	207.5	−4

FRANCE

June 17	Price Frs.	+ or −
Emprunt 4½% '73	1910	−10
Emprunt 7% 1973	8881	−39
Accor	456.00	−7.5
Agence Havas	529.00	−9
Air Liquide	682	−3
BIC	711	−1
BNP (Cert. Inv.)	545	−3
Bongrain	2750	−20
Bouygues	1050	
BSN Gervais	4960	−10
CIT-Alcatel	2495	
Carrefour	3235	−15
Club Mediterranean	626.00	−10
Cie Bancaire	689	−20
Cofimeg	375.00	+1
CGE	324.00	−2
Damart	2799	+1
Darty	404	−14
Dumez S.A.	2195	−25
Eaux (Cie Gen)	1170	−42
Elf-Aquitaine	370.50	−1.5
Essilor	3575	−49
Gen. Occidentale	1170	+15
Imetal	119.20	−2.4
Lafarge Coppee	1560	−10
L'Oreal	4100	−100
Legrand	5540	−40
Maisons Phenix	80.90	+2.9
Matra S.A.	2275	−55
Michelin B	3265	−45
Midi (Cie)	1393	−12
Moet-Hennessy	2570	+15
Moulinex	89	−6
Nord Est	169.50	−3
Paribas	474.50	−5
Pernod Ricard	1010	−7
Perrier	791	
Petroles Fra	498.00	+1
Peugeot S.A.	1533	−15
Printemps Au	717.00	−18
Radiotech	1475	−22
Redoute	2970	−30
Roussel-Uclaf	1530	+20
St Gobain	428.00	−5.5
Selimeg	500	
Skis Rossignol	1205	
Telemech Elect	2901	−24
Thompson (CSF)	1420	−4
Valeo	570.00	−9

GERMANY

June 16	Price Dm.	+ or −
AEG	312.00	
Allianz Vers.	1719.00	
BASF	299.50	
Bayer	325.50	
Bayer-Hypo	397.00	
Bayer-Verein	395.00	
BHF-Bank	422.00	
BMW	640.00	
Brown Boveri	313.00	
Commerzbank	262.50	
Cont'l Gummi	332.60	
Daimler-Benz	1043.80	
Degussa	475.00	
D'sche Babcock	214.00	
Deutsche Bank	594.50	
Dresdner Bank	314.90	
Feld Muehle Nob	501.00	
Henkel	524.60	
Hochtief	639.20	
Hoechst	287.00	
Hoesch Werke	120.20	
Holzmann (P)	380.50	
Horten	222.00	
Hussel	519.50	
Karstadt	436.50	
Kaufhof	469.00	
KHD	175.50	
Kloeckner	43.00	
Linde	696.00	
Lufthansa	181.00	
MAN	170.50	
Mannesmann	156.50	
Mercedes Hld.	934.00	
Metallgesell	321.00	
Muench Rueck	1640	
Nixdorf	795.00	
Porsche	955.00	
Preussag	147.00	
Rhein West Elect	210.50	
Rosenthal	246.00	
Schering	570.00	
Siemens	711.50	
Thyssen	119.80	
Varta	330.00	
Veba	312.50	
V.E.W	172.50	
Verein-West	405.00	
Volkswagen	384.50	

ITALY

June 17	Price Lire	+ or −
Banca Com'le	23690	+5
Bastogi-IRBS	674	+1
CIR	6175	−100
Credito Italian	2140	−5
Fiat	13030	−50
Generali Assicur	135400	−700
Italcement	98900	−100
La Rinascente	1280	−10
Montedison	2560	−40
Olivetti	13600	−80
Pirelli Co	6689	−21
Pirelli Spa	5180	−135
Saipem	3745	−10
Snia BPD	3780	−32
Toro Assic	33000	−800

NETHERLANDS

June 17	Price Fls.	+ or −
ACF Holding	61.50	
AEGON	90.60	+3.4
Ahold	94.20	+1.2
AKZO	142.20	+3.5
ABN	471.00	+13
AMEV	65.00	+2.5
AMRO	74.00	+2
Bredero Cert	34.50	+1.5
Buehrmann-Tet	51.30	+0.7
Dordtche Petroleum	243.50	+1.3
Elsevier Ndu	52.20	−0.8
Fokker	51.90	+0.4
Gist Brocades	44.70	+0.7
Heineken	176.80	+3.3
Hoogovens	42.90	+1.4
Hunter Douglas	51.80	+1.8
IHC Calland	20.70	+0.2
Int Mueller	63.50	
KLM	49.80	
KNP	143.90	+0.9
Nat Ned Cert	70.50	+3
Ned Mid Bank	157.00	+1.5
Ned Lloyd	140.50	+3.5
Oce Grinten	415.00	−3
Ommeren (Van)	35.30	
Pakhoed	73.50	+2.5
Philips	49.10	+1.1
Robeco	106.00	+1
Rodamco	146.80	+0.2
Rolinco	100.40	+1.1
Rorento	52.50	
Royal Dutch	264.50	+1.7
Unilever	683.50	−6.5
VMF Stork	23.90	+0.6
VNU	86.40	+2.5
Wessanen	84.30	+0.6
Wolters Samsom	132.00	−5.5

NORWAY

June 17	Price Kroner	+ or −
Aker-Norcem	73	
Bergen bank	169.50	−1.5
Bergesen B	384	+1.5
Christiania Bk	179.50	−0.5
Den Norsk Credit	153	+1
Elkem	103.50	+0.5
Kosmos	140	
Kvaerner	207.50	
Norsk Data	222.5	+3.5
Norsk Hydro	200.50	−2
Orkla Borregaar	394.50	+2.5
Storebrand	349	−0.5

SPAIN

June 17	Price Pts.	+ or −
Banco Bilbao	1299.00	+7
Banco Central	1005	
Banco Exterior	440.00	
Banco Hispano	490.00	
Banco Popular	1460.00	
Banco Santander	1142.00	
Banco de Vizcaya	1775.00	
Banesto	748.00	−1
Dragados	726.00	−10
Hidrola	71.20	−2.3
Iberduero	103.50	+0.3
Petroleo	519.00	
Telefonica	184.50	−0.5

SWEDEN

June 17	Price Kronor	+ or −
AGA (free)	200.00	
Alfa-Laval	316.00	
ASEA (Free)	333.00	
Astra (Free)	285.00	
Atlas Copco	176.00	
Beijer A Fria	229.00	
Cardo (Free)	235.00	
Cellulosa	352.00	
Electrolux B	293.00	
Ericsson	265.00	
Esselte	149.00	
Mo Och Domsjo	390.00	
Pharmacia	209.00	
Saab-Scania (free)	612.00	
Sandvik	172.00	
Skandia	159.00	
Skan Enskilda	128.00	
SKF	353.00	
St Kopparbergs	398.00	
Svka Handelsbn	455.00	
Swedish Match	104.00	
Volvo B (Free)	320.00	

SWITZERLAND

June 17	Price Frs.	+ or −
Adia Intl.	12000	+700
Alusuisse	660	+12
Bank Leu	3125	+50
Brown Boveri	2320	+60
Ciba Geigy	3450	+120
do (PtCts)	2380	+55
Credit Suisse	3030	+30
Elektrowatt	3525	+45
Fischer (Geo)	1510	+20
Hoff-Roche (Pt Cts)	130250	+2750
Hoff-Roche 1/10	13050	+175
Jacobs Suchard	8750	+125
Jelmoli	3500	+100
Landis & Gyr	1600	+10
Nestle	9200	+175
Oer-Buhrle	1240	
Pargesa Hldg	2110	+10
Pirelli	413	+7
Sandoz (Br)	12200	+100
Sandoz (PtCts)	2000	+25
Schindler (PtCts)	850	−10
Sika	1500	
Surveillance	6260	+35
Swissair	1375	−10
Swiss Bank	435	+6
Swiss Reinsce	16000	+200
Swiss Volksbk	2040	+45
Union Bank	4675	+55
Winterthur	6325	+150
Zurich Ins	6550	+100

AUSTRALIA

June 17	Price Aust$	+ or −
ACI Int.	4.00	−0.05
A.F.P.	2.45	−0.03
Adelaide Steams	8.60	−0.4
Amcor	4.68	+0.03
ANZ Group	4.16	−0.04
Ampol Pet	3.10	+0.1
Ariadne Aust	3.00	−0.12
Ashton	3.60	−0.05
Aust Guarant	2.70	
Aust Nat Inds	1.95	
Bell Group	8.30	−0.06
Bell Resources	4.30	−0.1
Bond Corp Hldgs	2.42	+0.02
Boral	5.10	+0.04
B'ville Copper	4.50	−0.08
Brambles Inds.	10.00	−0.2
Bridge Oil	1.48	−0.02
BHP	10.00	+0.02
BHP Gold	1.40	+0.2
Burns Philp	4.40	−0.05
CRA	9.50	−0.04
CSR	4.07	+0.07
Chase Corp	2.85	
Claremont Petro	1.10	+0.05
Coles Myer	7.10	−0.1
Comalco "A"	3.45	
Consolidated Pet.	0.20	
Costain Aust	2.70	−0.1
Elders IXL	4.45	
Energy Res	2.60	+0.05
Gen Prop Trust	3.25	−0.05
Goodman Fielder	3.95	
Hardie (J)	3.55	+0.15
Hartogen Energy	3.30	+0.1
ICI Aust	4.20	+0.05
Industrial Equity	4.80	−0.06
Jimbliana (50cFP)	0.57	
Kia Ora Gold	1.00	−0.05
Kidston Gold	7.00	−0.2
Lend Lease	14.00	−0.2
MIM	2.38	+0.03
Mayne Nickless	4.55	
Nat. Aust. Bank	4.65	−0.07

AUSTRALIA (Continued)

June 17	Price Aust$	+ or −
News	19.40	−0.1
Nicholas Pacific	3.60	+0.05
North Bkn Hill	2.92	−0.08
Oakbridge	0.57	−0.01
Pacific Dunlop	4.75	−0.25
Pancont'l	3.70	−0.12
Pioneer Conc	3.35	−0.05
Placer Pacific	3.60	−0.2
Poseidon	5.10	
Queensland Coal	1.47	+0.02
Santos	6.80	+0.2
Smith (H.)	5.10	−0.06
Tho. Nationwide	4.50	−0.02
Tooth	8.00	+0.2
Vamgas	3.70	
Western Mining	6.60	+0.06
Westpac	4.49	+0.03
Woodside Petrol	2.20	
Woolworths	3.35	
Wormald Intl	3.55	+0.05

HONG KONG

June 17	Price H.K.$	+ or −
Bank East Asia	24.30	−0.4
Cathy Pacific	6.45	−0.1
Cheung Kong	13.50	+0.2
China Light	23.00	−0.1
Evergo	0.67	
Hang Lung	15.10	+0.3
Hang Seng Bank	36.75	−0.25
Henderson Land	7.00	
Hong Kong China	17.3	+0.4
HK Electric	9.50	−0.15
HK Land	7.15	+0.05
HK Shanghai Bank	8.35	
HK Telephone	13.90	−0.2
Hutchison Wpa	12.60	
Indust Equity P	21.00	
Jardine Math	19.30	+0.4
New World Dev	12.80	+0.5
SHK Props	16.90	
Shell Elec. Mfg	1.47	−0.01
Swire Pac A	23.20	+0.5
TV-B	14.00	+0.1
Wharf Hldgs	8.80	−0.1
Windsor Ind.	11.90	+0.3
World Int Hldgs.	4.10	−0.02

JAPAN

June 17	Price Yen	+ or −
Ajinomoto	3580	
All Nippon Air	1940	+30
Alps Electric	2270	+10
Asahi Chemicals	1220	
Asahi Glass	2110	+20
Bank Tokyo	1790	
Bridgestone	1110	−40
Brother Inds.	694	+39
Canon	957	+17
Casio Computers	1320	+50
Chugai Pharm	1930	−20
Daiei	1900	+50
Dai Ichi Kan Bank	4040	+30
Dai Nippon Ink	745	−12
Dai Nippon Ptg	2320	−20
Daiwa House	2520	+70
Daiwa Sec	3330	−30
Eisai	2040	+50
Fanuc	5510	+30
Fuji Bank	4020	+70
Fuji Film	3460	−40
Fujisawa	2080	+10
Fujitsu	1130	+30
Furukawa Elect	782	+10
Green Cross	2800	+40
Heiwa Real Est	1850	+20
Hitachi	1110	
Hitachi Credit	1820	+70
Honda	1730	−10
Indl Bank Japan	5100	−50
Ishikawajima Ha	765	+27
Isuzu Motors	399	+18
Itoh (C)	815	
Ito Yokado	4100	+30
JAL	15000	−200
Jusco	1520	+100
Kajima	1910	−10
Kao Soap	2150	
Kawasaki Steel	283	+3
Kirin	2890	
Kobe Steel	297	−1
Komatsu	648	+28
Konishiroku	785	−22
Kubota	610	
Kumagai	1160	−10
Kyoto Ceramic	5400	−30
Marubeni	555	−10
Marui	3560	+70
Mazda Motors	452	+19
Meiji Seika	1150	+10
MEI	2020	+20
M'bishi Bank	4100	+150
M'bishi Chem	1230	+30
M'bishi Corp	1460	
M'bishi Elec.	597	+3
M'bishi Estate	2990	−20
MHI	617	+17
Mitsui Bank	2800	+10
Mitsui Co.	843	+10
Mitsui Estate	2870	+10
Mitsui Toatsu	771	−12
Mitsukoshi	1780	+40
NGK Insulators	950	−5
Niko Sec.	2640	−30
Nippon Denso	1620	+20
Nippon Elect	1950	−10
Nippon Express	1450	+30
Nippon Gakki	1670	+30
Nippon Kogaku	849	+4
Nippon Kokan	316	−1
Nippon Oil	1340	

JAPAN (Continued)

June 17	Price Yen	+ or −
Nippon Seiko	543	−2
Nippon Shinpan	1450	+50
Nippon Steel	357	−6
Nippon Suisan	645	−7
Nippon Yusen	653	+4
Nissan Motor	727	+2
Nisshin Flour	1370	+30
Nomura	5300	+10
Olympus	1160	
Onoda Cement	815	+7
Orient Finance	1660	+10
Orient Leasing	3970	−20
Pioneer	2610	+10
Ricoh	1020	+10
Sankyo	1940	+10
Sanwa Bank	3330	
Sanyo Elect	505	−5
Sapporo	2170	−30
Sekisui House	2560	+30
Seven-Eleven	8300	
Sharp	1070	−10
Shimizu Const	1030	−30
Shionogi	1780	
Shiseido	2110	−20
Showa Denko	695	+8
Sony	3740	−40
S'tomo Bank	4700	−10
Sumitomo Chem	960	+4
Sumitomo Corp	1170	+30
S'tomo Elect	1760	
S'tomo Metal	246	−4
Taisei Corp	1170	−20
Taisho Marine	1390	+50
Taiyo Kobe Bank	1820	+20
Takeda	3350	−50
TDK	3750	+10
Teijin	855	+5
Tax Nenryo Kyo	2140	+30
Tokai Bank	2540	+10
Tokyo Marine	2490	−30
Tokyo Elect Pwr	7690	−20
Tokyo Gas	1290	+10
Tokyo Corp	2070	+20
Toppan Print	1720	
Toray	761	+11
Toshiba Elect	736	+6
Toyo Seikan	2500	+20
Toyota Motor	2000	
UBE Inds	486	−9
Victor	2920	−30
Yamaha	881	−9
Yamaichi Sec	2700	−20
Yamanouchi	4180	+30
Yamazaki	1740	+10
Yasuda Fire	1320	−40

SINGAPORE

June 17	Price $	+ or −
Boustead Hldgs	1.91	+0.01
Cerebos Pacific	5.55	
Cold Storage	4.56	+0.08
DBS	13.70	
Genting	6.55	+0.05
Haw Par Bros	4.86	+0.02
Hong Leong Fin.	4.40	+0.1
Inchcape Bhd	5.20	+0.1
Keppel Shipyard	3.68	+0.08
Malay Banking	7.80	+0.1
Malayan Utd. Ind.	2.51	+0.06
Multi Purpose	0.91	
OCBC	9.40	−0.05
OUB	4.46	−0.02
Public Bank	2.63	+0.05
Sime Darby	3.46	+0.08
Singapore Air	13.50	+0.3
Singapore Press	8.20	
Straits Trading	4.24	+0.02
Tat Lee Bank	3.48	+0.02
UOB	5.60	

SOUTH AFRICA

June 17	Price Rand	+ or −
Abercom	3.05	−0.25
AE & CI	18.25	
Allied Tech	150.00	−2
Anglo Am Coal	35.00	
Anglo Am Corp	82.50	−0.5
Anglo Am Gold	360.00	−5
Barclays Bank	22.50	+1
Barlow Rand	25.15	−0.1
Buffels	73.00	−1
CNA Gallo	4.45	
Currie Finance	5.70	
De Beers	38.90	−0.1
Driefontein	80.75	−0.5
Freegold	50.25	−1.5
Gold Fields SA	73.00	−1
Highveld Steel	7.00	
Malcor Hldgs	19.50	+0.25
Nedbank	8.55	+0.05
OK Bazaars	18.25	
Rembrandt	15.00	
Rust Plat	53.87	−0.38
Satren	27.25	+0.25
Sage Holdings	17.25	
SA Brewers	18.90	−0.1
Smith (C.G.)	43.50	−0.25
Tongaat Hulett	12.25	+0.15

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices June 17

Sales	Stock	High	Low	Close	Chng
1414	AMCA Int	$10¾	10¾	10¾	
103000	Abitibi Pr	$34¾	34	34	−1
15600	Agnico E	$31¾	31¼	31¼	−⅜
15647	Albrta En	$20⅝	20⅜	20⅜	+⅛
1800	Albrta N	$14⅝	14⅜	14⅜	−¼
442732	Alcan	$40⅞	40¼	40⅝	+⅛
700	Algo Cent	$22¼	22¼	22¼	
9561	Algoma St	$16	16	16	+½
5113	Asamera	$13¾	13⅜	13½	−¼
38659	Atco I f	$11½	11⅛	11⅜	+⅛
3000	Atco II	$11⅜	11⅜	11⅜	+⅛
724	BC Sugar A	$27¾	27½	27½	
1100	BGR A	$13¼	13⅛	13⅛	
3486	BP Canada	$20¾	20½	20½	−½
7311	Banister C	$12¼	12	12	
105734	Bk BCol	62	60	60	−2
79807	Bk Montl	$33¾	32⅞	33⅜	+½
285351	Bk NScot	$17⅞	17⅛	17⅞	+¾
177609	Bell Can	$42	41⅝	42	+⅛
96232	Bow Valy	$18	17¾	18	+⅛
1150	Bralorne	185	180	180	−5
1243	Bramalea	$23⅛	23⅛	23⅛	−⅜
45650	Brascan A	$33¾	32⅞	33¾	+⅞
93500	Brkwater	$9	8¾	9	+⅛
100	Brenda M	$12⅝	12⅝	12⅝	
7868	BC ForP	$20⅞	20⅝	20¾	−⅛
13420	BC Res	119	112	113	−4
11120	BC Phone	$28⅛	28	28	−⅛
27700	Brunswk	$16	15⅞	15⅞	−⅜
231000	CAE	$10½	10	10½	+½
126400	CCL B f	$13⅞	13⅝	13⅞	+⅛
139	CIL	$28¾	28¾	28¾	
31287	Cad Frv	$33¼	33⅛	33¼	+⅛
11801	Cambridg	$27⅝	27½	27½	+⅛
26480	Camp RLk	$35⅞	34¼	34¼	−1⅝
1900	Camp Res	280	275	275	−10
250	Camp Soup	$21	21	21	+⅛
18271	Campeau f	$37¼	37	37⅛	−¼
3068	CCem ex p	$15⅞	15¾	15¾	−⅛
85127	CDC 1	$12⅞	12¾	12⅞	+⅛
100	Can Malt	$22⅛	22⅛	22⅛	−⅛
13506	C Nor West	$24	23½	23¾	
16950	C Packrs	$16¼	16	16¼	+¼
1800	CS Pete 1	425	425	425	+15
150	Can Trust	$69⅝	69⅝	69⅝	
500	Can GE	$21¼	21¼	21¼	−½
100	CG Invest	$52½	52½	52½	
258915	CI Bk Com	$21¾	20¾	21¾	+1⅛
8300	C Marconi	$20½	20⅛	20¼	−⅛
7760	C Ocdental	$38⅜	38	38⅜	+⅛
417594	CP Ltd	$24⅜	24	24¼	
84340	CTire A f	$15⅝	15¼	15⅝	+⅛
15902	CUtil A f	$20⅛	20	20	
9574	CUtil B	$20	19⅞	20	+⅛
48750	Cantor	$29⅛	28½	28¾	
3000	Canron A	$17¼	16¾	16¾	−⅛
7700	Cara	$11¾	11⅝	11⅝	−⅛
7000	Cara A f	$11⅝	11½	11⅝	+⅛
193839	Cemma A	11	10½	11	
1328	Celanese	$22	21¼	21¼	−⅝
32350	CentFd A	$9¼	9⅛	9¼	+⅛
130	Centrl Tr	$22	22	22	−½
15271	Chieftan	$14½	14	14½	+¼
3400	CHUM B f	$16	16	16	+⅜
47430	Cominco	$17⅜	17⅛	17⅜	
24700	Computng	$6⅞	6¾	6⅞	+⅛
22300	Comput In	310	305	305	−5
33741	Con Bath A	$18⅞	18½	18⅞	
398500	CDistb B f	460	440	445	+15
739	Cons Gas	$27	26⅞	26⅞	+⅛
30400	Con Glass	$25½	25	25½	
500	CTL Bank	335	325	325	−10
1300	Conwst B	$13⅜	13⅛	13⅛	
1300	Corby	$21	20	21	+¼
19201	Costain Ltd	$13⅝	13⅜	13⅜	−⅛
11800	Coseka R	115	111	115	
6775	Crownx	$16¾	16½	16½	
53900	Crownx A f	$7⅛	7½	7⅜	−¼
23050	Czar Res	214	202	210	−2
12900	Denison A p	$7⅜	7⅛	7⅛	−⅛
48353	Denison B f	$6⅛	6	6⅛	
400	Develcon	375	375	375	
40500	Dicknsn A f	$11⅞	11½	11½	−⅛
500	Dicknsn B	$12	12	12	+¼
45222	Dofasco	$25⅜	25	25¼	+⅛
142470	Dome Mine	$18	17⅛	17¼	−⅝
122595	Dome Pete	118	112	114	
2302	D Textle	$20½	20½	20½	
58014	Domtar	$20	19¾	19⅞	−⅛
1300	Donohue	$35½	35¼	35¼	−⅛
21000	Du Pont A	$28	28	28	
28164	Dylex A	$15⅞	15½	15⅝	−⅛
700	E-L Fin	$63½	63	63½	+½
38500	Echo Bay	$48¾	47¾	48¼	−⅛
28000	FCA Intl	$17	16½	16½	−⅜
38576	Ficnbrdg	$22⅜	22	22¼	+⅛
12750	Fed Ind A	$17½	17¼	17½	+¼
2000	Fed Pion	$12	12	12	+¼
11000	FCity Fin	$19	18¾	18⅞	+⅛
2400	Gandalf	$12⅛	12	12	
24300	Geac Comp	300	280	282	−18
3600	Gendis A	$19¼	19¼	19¼	−⅛
5300	Gibrltar	$10½	10⅜	10½	+⅛
39000	Goldcorp f	$10½	10¼	10¼	−¼
11900	Grafton A f	$14¾	14	14⅜	−⅝
4800	GL Forest	$44½	44½	44½	−1
1300	Greyhnd	$28	27¾	27¾	−¼
8900	GuarPA f	$18⅝	18¼	18⅝	+⅛
146871	Gulf Can	$29½	29	29¼	
1030	Hawker	$26¾	26⅜	26¾	+⅝
4125	Hayes D	$11¾	11½	11½	+¼
63770	Hees Intl	$23¼	21⅝	23¼	+1½
4748	H Baylin s	$10	9¾	9¾	−¼
4982	H Bay Co	$23⅜	23⅛	23⅜	−⅛
42154	Imasco	$34⅝	34⅛	34½	+¼
39944	Imp Oil A	$70⅛	69⅝	70⅛	+⅝
288430	Inco	$24¼	23⅝	24¼	+¾
11680	Indal	$13	12⅞	12⅞	−⅛
4100	Inland Gas	$15	14⅞	15	
15150	Innopac	$9¾	9⅝	9¾	+¼
32270	Inter City	$19¼	18⅞	19¼	+¼
28210	Intl Thom	$14⅝	14½	14⅝	−⅛
4886	Intpr Pipe	$50⅞	50⅜	50⅞	+¼
200	Ipsco	$10¾	10¾	10¾	−½
8950	Ivaco A f	$15¼	15	15	−¼
100	Ivaco B	$15¾	15¾	15¾	+¼
92975	Jannock	$19⅝	18	19⅜	+⅜
250	Kerr Add	$23	23	23	−⅛
1600	Kiena Gld	$20⅝	20⅝	20⅝	−¼
21895	Labatt	$25¾	25¼	25¾	+¼
13785	LL Lac	$43¾	42½	42½	−1½
21000	Lacana	$18	17⅞	17⅞	−⅛
36407	Laidlaw A	$21¼	20¾	21⅛	+⅛
270125	Laidlw B f	$19⅞	19⅝	19¾	
13780	Leigh Inst	$5⅞	5⅜	5⅜	−⅛
105250	Loblaw Co	$14⅞	14⅝	14¾	
2100	Lumonics	$11⅝	11⅜	11½	−⅛
1200	MICC	$17	16¾	16¾	−½
200	MSR Ex	285	285	285	−14
107400	Mclan H X	$19⅝	19⅜	19⅝	
117095	Macmillan	$24¾	24½	24⅝	
52250	Magna A f	$24⅜	23⅞	23⅞	−¼
2221	Maritime f	$16	15¾	16	+⅛
200	Mc Intyre	$45	45	45	
17622	Minrl Res	420	415	420	
147630	Mitel Corp	$6⅝	5⅞	6⅛	−⅜
6075	Molson A f	$24⅝	24⅛	24⅜	
600	Molson B	$24¾	24¾	24¾	+⅛
1500	Moneco A f	440	440	440	+15
3100	M Trusco	$14⅝	14⅝	14⅝	
71895	Moore	$32⅞	32	32⅛	−⅛
4300	Murphy	$28⅞	28½	28½	−⅜
236473	Nat Bk Can	$14½	13¾	14½	+¾
650	Nt Vg Trco	$24⅜	24	24	−½
3800	Nfl CapA f	$11⅞	11⅞	11⅞	
200	NRd LP A	$20¾	20¾	20¾	
58336	Noranda	$28½	28	28¼	−¼
21843	Norcen	$25⅛	24¾	25⅛	−⅛
13369	Norcn ord f	$22½	22⅜	22⅜	−⅜
125982	NC Oils	$17¾	17	17¾	+¾
165740	Nor Tel	$27½	27⅛	27⅛	−¼
5550	Northgat	$10⅛	10	10	
100697	Nva AltA f	$9¼	9⅛	9⅛	
13570	Nowsco W	$16¼	16	16¼	+¼
16419	Nu West	39	37	39	+1
100	Numac	$10⅜	10⅜	10⅜	+¼
500	Oakwood	325	325	325	
1566	Oakwd A f	170	170	170	
2300	Omega Hyd	$8⅝	8½	8½	
41750	Oshawa A f	$20¾	20⅛	20¾	+⅝
26825	PacW Airl	$25⅞	25⅝	25¾	−⅛
33980	Pgurin A f	$14⅞	14½	14⅝	
400	Pamour	$13⅞	13⅞	13⅞	
16450	PanCan P	$32¾	31⅝	32¼	−¼
35990	Pegasus	$25⅜	25	25	−⅞
400	Pembina	$17⅜	17⅜	17⅜	−⅛
15239	Pine Point	$14¾	14½	14½	−¼
177188	Placer D	$21¼	20⅜	20⅝	−⅜
88440	Poco Pet	$16	15¾	15¾	−¼
12952	Powr Cor f	$17⅜	17	17¼	
10620	Provigo	$11¾	11½	11¾	+⅛
5744	Que Sturg	$6⅛	6	6	
159433	Ranger	$8	7⅝	7¾	−⅛
24860	Rayrock f	$11¾	11⅝	11⅝	
9930	Redpath	$13¼	12⅞	13¼	+⅜
3570	Regionl R	390	375	375	−15
245	Rio Algom	$21⅛	21⅛	21⅛	−¼
1200	Rogers A	$22¾	22½	22½	−¼
21515	Rogers B f	$22¾	22⅜	22½	−¼
12400	Roman	$18⅛	18⅛	18⅛	
20	Rothman	$79¾	79¾	79¾	
474981	Royal Bnk	$33⅝	32¼	33½	+1⅛
32884	RyTrco A	$17¼	16¾	17¼	+½
274907	Royex	$5⅝	5⅜	5½	
3650	StL CemA f	$26⅜	26¼	26¼	−⅛
44049	Sceptre	490	485	485	+5
4100	Scot Paper	$20	19¾	20	+¼
5600	Scotts f	$11¾	11⅝	11¾	+¼
5000	Scotts C	$12	11⅞	12	+⅛
141295	Seagram	$100⅞	98⅛	100⅛	+2¼
38236	Sears Can	$11⅛	10⅞	11⅛	+⅛
100	Selkirk A f	$19¼	19¼	19¼	+¾
14460	Shell Can	$44⅞	44	44⅞	−¾
8900	Sherritt	$5⅝	5½	5⅝	
500	Sigma	$20¼	20¼	20¼	
8650	Southm	$22½	22	22½	+½
13154	Spar Aero f	$19½	19¼	19½	+⅛
22275	Steinbg A f	$37½	37½	37½	−½
45170	Stelco A	$24¾	24⅜	24¾	+⅞
18098	Teck B f	$32⅜	31½	31½	−⅝
100	Tele Met	$29¼	29¼	29¼	−¼
25500	Terra Mn	250	244	244	−6
13218	Texaco Can	$36¼	35½	36¼	+½
221175	Thom N A	$33	31½	33	+1½
277266	Tor Dm Bk	$28⅝	27⅜	28⅜	+⅝
1148	Tor Sun	$23	22½	22½	−½
39765	Torstar B f	$30⅜	30	30¼	+¼
41150	Total Pet	$28	27⅝	28	
17138	Traders A f	$60	56½	60	+3
2300	Trns Mt	$16½	16⅜	16⅜	
28091	TrnAlta UA	$29⅝	29½	29⅝	−⅛
121800	TrCan PL	$17¾	17⅜	17¾	+½
12682	Trilon A	$20⅝	20¼	20½	+¼
4237	Trimac	490	485	490	+5
3000	Trinity Res	95	90	95	+5
6201	Trizec A f	$34	33¾	34	
360	Trizec B	$34	34	34	
7016	Ulster P	279	272	275	
40	Un Carbid	$17⅛	17⅛	17⅛	
2759	U Emprise	$12⅛	12	12	
14610	U Canso	126	125	125	−1
207	Un Corp	$51½	51⅜	51⅜	−⅛
14613	Versil A f	88	87	87	−1
3100	Versil B	70	70	70	−5
57743	Wcoast T	$18	17¾	17⅞	
4250	Westmin	$11⅞	11⅝	11¾	
2110	Weston	$40¾	40½	40½	−¼
1210	Woodwd A	$6⅛	6⅛	6⅛	−⅛

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices June 17

Sales	Stock	High	Low	Close	Chng
108451	Bank Mont	$33⅞	32⅞	33¾	+⅝
2880	BombrdrA	$24⅜	24	24	−⅛
28779	BombrdrB	$24⅜	24	24⅛	
300	CB Pak	$20⅛	20	20	
11071	Cascades	$12	11⅞	11⅞	−⅛
4253	ConBath	$18⅞	18¾	18¾	−⅛
2509	DomTxtA	$20¾	20½	20½	−¼
2300	MntTrst	$14¾	14⅝	14⅝	
117801	NatBk Cda	$14½	13¾	14¼	+⅜
15100	Noverco	$12¼	12¼	12¼	−¼
72300	Power Corp	$17½	17	17⅜	+⅛
21937	Provigo	$11¾	11	11¾	+¼
2700	RollandA	$15½	15½	15½	
103532	Royal Bank	$33⅝	32¼	33½	+1⅛
1900	SteinbrgA	$37½	37½	37½	−½

Total Sales 6,859,117 shares

Indices

NEW YORK-DOW JONES

	June 17	June 16	June 15	June 12	June 11	June 10	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,487.35	2,407.35	2,391.54	2,377.73	2,380.13	2,353.81	2487.35 (16/6/87)	1927.31 (2/1)	2487.35 (16/6/87)	41.22 (2/7/32)
Transport	1,022.67	1,019.3	1,021.11	1,029.53	1,023.37	1,023.32	1029.53 (12/6/87)	816.38 (2/1)	1029.53 (12/6/87)	12.32 (8/7/32)
Utilities	203.07	203.25	203.71	203.77	201.75	201.12	227.83 (22/1/87)	191.39 (28/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol		157.79m	154.78m	175.07m	138.08m	179.84m	—	—	—	—

	June 12	May 29	April 24	Year Ago (Approx)
Ind Div Yield %	2.83	2.83	2.98	3.82

STANDARD AND POORS

	June 17	June 16	June 15	June 12	June 11	June 10	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	352.34	353.84	350.47	348.12	346.36	345.82	353.84 (16/6/87)	274.58 (2/1/87)	353.84 (16/6/87)	3.62 (21/6/32)
Composite	304.11	304.76	302.88	301.82	298.73	297.47	304.76 (16/6/87)	246.45 (2/1/87)	304.76 (16/6/87)	4.40 (1/6/32)

	June 3	May 27	May 20	Year Ago (Approx)
Ind div yield %	2.51	2.55	2.64	3.06
Ind. P/E Ratio	22.43	21.97	21.21	17.23
Long Gov Bond Yield	8.83	8.65	8.87	8.87

N.Y.S.E. ALL COMMON

June 17	June 16	June 15	June 12	1987 High	1987 Low
171.44	171.35	170.60	169.85	171.88 (24/3/87)	141.81 (21/1)

RISES AND FALLS

	June 16	June 15	June 12
Issues traded	1,988	1,948	1,957
Rises	825	833	1,077
Falls	689	674	485
Unchanged	442	441	395

TORONTO

	June 17	June 16	June 15	June 12	1987 High	1987 Low
Metals & Minls	2,848.6	2,831.4	2,808.7	2,981.2	2,943.6 (11/5/87)	1,988.2 (2/1/86)
Composite	3,718.2	3,687.2	3,718.4	3,725.5	3,881.2 (8/4/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	1,874.44	1,854.84	1,868.11	1,865.88	1,935.8 (6/4/87)	1,534.3 (2/1/86)

* Indicates pre-close figure

	June 17	June 16	June 15	June 12	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1802.8	1808.0	1818.4	1827.7	1858.8 (18/5)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1095.3	1099.5	1122.4	1139.8	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	183.29	182.93	183.60	184.03	230.60 (2/1)	182.93 (16/6)
BELGIUM						
Brussels SE (1/1/84)	4671.80	4668.50	4653.30	4640.52	4683.0 (15/5)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(u)	211.48	210.70	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	544.3	545.4	545.9	544.1	545.9 (15/6)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	414.50	417.20	415.60	409.70	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	103.20	104.1	102.50	102.00	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	(c)	598.66	591.65	582.85	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	(c)	1805.60	1783.60	1756.00	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	3178.62	3170.88	(c)	3129.88	3178.62 (17/6)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	715.01	719.03	700.55	697.88	767.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	25929.42	25738.86	25756.44	25894.27	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2241.59	2231.13	2241.08	2255.67	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	298.20	295.00	295.10	289.90	298.20 (17/6)	257.7 (28/1)
ANP CBS Indust. (1970)	252.90	248.30	247.60	243.70	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	434.29	434.81	433.40	432.04	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1236.60	1223.55	1216.36	1227.04	1245.71 (5/6)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2079.0	2077.0	2161.0	2308.0 (27/4)	1786.0 (14/3)
JSE Indust (28/9/78)	(u)	1899.0	1897.0	1898.0	1957.0 (19/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	227.89	228.37	229.27	227.33	255.95 (23/2)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	2698.40	2693.67	2678.14	2782.10 (6/5)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	600.10	592.90	587.50	582.30	603.3 (6/1)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	479.30	478.00	480.30	480.30 (12/6)	361.5 (2/1)

**Saturday June 13: Japan market closed.

Base values of all Indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
ATT	5,895,200	27¼	+ ½	Phillips Pet	1,503,900	16½	− ⅛
BK TX GRP	3,620,300	⅛	unch	Gillette	1,457,600	35⅝	+1⅜
Oak Ind	2,002,600	1⅞	+ ⅛	Dry Pete	1,405,700	37⅛	+ ¼
Foster Whe	1,660,200	28½	+ ¾	Pacific Tel	1,385,700	26½	− ⅜
Gen Elec	1,524,300	53½	− ⅞	Atl Rich	1,311,700	95¼	+2¾

Advances 804 Declines 649

LONDON — Most Active Stocks
Wednesday, June 16 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
British Gas	39.65m	188½	− 1½	General Elect	8.68m	242½	− ½
Hanson Trust	14.00m	166½	unch	TSB	8.10m	102	+ 2
British Telecom	9.98m	315	− 1½	British Airways	7.50m	157	− 2½
Guinness	9.50m	381	− 6	BAT	7.20m	604	+10
ASDA-MFI	8.70m	187	− 5	Amstrad	7.19m	175	− 6

TOKYO — Most Active Stocks
June 17, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Kawasaki Steel	185.58m	283	+ 3	Hitachi Ltd	17.34m	1,110	unch
Japan Line	61.37m	259	+19	Mitsubishi Heavy Ind.	17.46m	617	+ 17
Ishikawajima-Harima Heavy Ind.	38.83m	765	+27	Sanyo Elec	16.85m	585	− 5
Kawasaki Kisen	22.21m	268	+ 6	Nisshin Steel	14.05m	459	− 1
Nippon Steel	19.01m	367	− 6	Mitsui Toatsu	13.98m	771	− 12

LONDON
Chief price changes
(in pence unless otherwise indicated)

RISES:

Tr. 8pc 2002–06	£94⅝	+ 1⅜₂
Airflow Strmls	188	+37
Amber Day	64	+ 8
Asda Property	765	+20
BOC	493	+22
Bejam	214¼	+ 8½
Burmah Oil	559	+14
Coalite	391	+20
Coats Viyella	697	+29
Commerc. Union	365	+13
Countr. Props	£11⅞	+ 2⅛
Courtaulds	493	+18
Dawson Intl	329	+14
Headlam Sims	135	+20
Kwik Save	390	+19
Pearl	414	+23
Pearson	652	+22
Pilkington Bros	973	+26
Reed Intl	529	+41
St Modwen Props	70	+ 6
Smith (WH)A	398	+15
Stoddard	120	+25
Trafalgar House	393	+18

FALLS:

British Aero	540	−14
Lowe H.-Spink	444	−46
Magnet & S.	350	−19
Oxford Instr.	389	−36

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 35

Stock	Sales (Hnds)	High	Low	Last	Chng
OMI Cp	67 317	5⅛	5	5⅛	
OMIpl	65	19⅝	19	19⅝	+ ⅛
[illegible]					
RadSys	15 186	9¾	9½	9¾	+ ¼
Rainer 1.16	15 508	u53	52½	52⅝	+ ⅛
Reeves	17 179	10¼	10	10⅛	
RgcyEl .20	360	6	5¾	5⅞	
Regina	30 148	40¼	38¼	40	+ 1¾
RnlCtrs	32 55	22	21½	22	
[illegible]					
SonocPs	22 589	30½	28¾	29	− 1½
SCarNa .56	11 238	23	22⅝	22¾	+ ⅛
Sounet	27 139	20¾	20	20	− ¾
SmdFn	510	8⅞	8⅝	8⅝	− ⅛
Soutrst .80	10 132	23¼	22⅞	23	
Sovran 1.36	10 3425	36¾	35¾	36¼	+ ¼
[illegible]					
UtdSvrs .72	8 77	27	26½	26½	− ½
US Bcs .88	11 1010	27⅞	27½	27¾	− ⅛
US HBC .16	18 1372	13	12⅝	12⅝	− ⅛
US Sur .40	24 497	31⅞	31¼	31¼	
US Trs 1	12 9232	36⅞	36¼	36¾	− ¼
UStatn .24	19 398	18¼	17⅞	17⅞	− ⅛
[illegible]					

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33 5/8	20 1/8	AAR s	.50	1.5	23	100	33 5/8	33	33	-3/8
37	21 7/8	ADT	.92	2.9	18	112	32 3/8	32	32 1/8	
27 3/4	16 3/4	AFG s	.16	.6	12	697	26 7/8	26 1/2	26 3/4	+1/8
22 3/8	8 3/8	AGS s			19	375	18 3/8	18	18	-1/8
13	6 3/4	AMCA				2	8	7 7/8	7 7/8	-1/8
9 3/8	4 7/8	AM Intl				1402	7 1/2	7 1/4	7 3/8	+1/8
62 1/8	47 1/4	AMR			12	1200	60 1/8	58 1/2	58 1/2	-1/4
27 1/2	24 7/8	ANR pf	2.67	10.		1	25 3/4	25 3/4	25 3/4	
11 3/4	6	ARX s			12	47	10 7/8	10 5/8	10 3/4	+1/8
73 1/2	28 3/4	ASA	2a	3.4		456	58 5/8	57 7/8	58	+3/8
20	9 3/4	AVX		1.8	66	88	17 3/4	17 3/8	17 1/2	-1/4
67	41	AbtLab	1	1.5	27	2812	65 3/8	64	64 5/8	-3/4
25 1/8	16 3/8	AccoW s	.44	1.8	22	150	23 7/8	23 5/8	23 7/8	-1/8
15 5/8	9	AcmeC	.40	3.0	10	132	13 3/4	13 3/8	13 3/8	-1/2
8 3/8	6 1/8	AcmeE	.32b	4.1	30	17	7 3/4	7 3/4	7 3/4	
23 7/8	19	AdaEx	3.42e	16.		65	21 3/4	21 5/8	21 3/4	-1/8
19 1/2	11 3/8	AdmM s	.24	1.5	12	155	16 7/8	16 1/2	16 1/2	-1/2
23 1/2	12 1/8	AdvSys	.62t	2.7	17	266	u23 5/8	23 1/8	23 3/8	+1/4
24 1/2	12 7/8	AMD				5242	20 3/8	19 3/4	20	+1/8
54 3/4	49 3/8	AMD pf	3	5.9		150	51 1/4	51 1/4	51 1/4	-1/2
10 3/4	5 1/4	Adobe				92	9 1/8	9	9	
20 1/2	13 3/4	Adob pf	1.84	9.6		1	19 1/8	19 1/8	19 1/8	+1/8
21 7/8	16 3/8	Adob pf	2.40	12.		25	20 5/8	20 3/8	20 1/2	-1/8
16 5/8	10 5/8	Advest	.12a	1.0	9	123	12 7/8	12 5/8	12 5/8	-1/8
68 1/4	53	AetnLf	2.76	4.5	9	2171	61 1/4	60 3/4	60 7/8	
64 1/2	26 1/2	AfilPb s	.32	.5	33	214	63 3/4	63	63	-3/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
101	88	PaPL	pr8.40	9.5		z110	88	88	88	
98¾	78	PaPL	pr 8	9.6		z50	83	83	83	−1½
105	84	PaPL	pr8.70	9.7		z10	90	90	90	−1
67	44	Pennwlt	2.20	3.7	17	101	59	58¼	58⅞	−⅛
38⅞	26	Pennw	pr1.60	4.6		24	34⅝	34¼	34⅝	+½
85	48⅞	Pennzoil	2.20	2.6	43	683	85⅝	84½	85	
26¾	18½	PeopEn	.44	7.3	11	525	20⅛	19⅝	19¾	+¼
53	33¼	PepBoy	.24	.5	29	391	47⅞	47¼	47¾	+¼
37⅛	24½	PepsiCo	.68	1.9	21	4838	37	36½	36¾	−⅛
13⅝	10⅛	PerkF	n.86e	7.8	25	83	11⅛	10⅞	10⅞	
41⅛	23⅛	PerkEl	.60	1.8	24	2143	33⅝	32⅞	33½	+⅝
7⅞	5½	Prmian	.37e	5.1	12	465	7⅜	7⅛	7¼	+⅛
9½	9	PrLP	pr			733	9⅛	9	9⅛	
20¾	9½	PeryDr	.22	2.0		273	11⅛	11	11	−⅜
34⅞	23¾	Petrie	.70	2.2	20	726	32¼	32	32⅛	
21¼	19¼	PtPar	n 2	10.		447	20⅛	19¾	19¾	−¼
33	26	PetRs	2.57e	8.0		41	32	31⅝	32	+⅛
20	15⅞	PetRs	pf1.57	9.2		10	17¼	17⅛	17⅛	
2½	1	Ptrinv	.07e	5.6		84	1⅜	1¼	1¼	
77	56¼	Pfizer	1.80	2.6	17	2273	70½	70⅛	70¼	
39⅝	16	PhelpD			32	890	36⅞	36½	36⅝	+⅜
58½	51	PhlpD	pf3.40	6.0		524	57	56½	57	+1
26	18⅞	PhilaEl	2.20	10.	8	2247	21⅜	21⅛	21¼	−⅛
43⅞	34½	PhE	pfA3.80	10.		z3700	37½	37½	37½	−1½
49⅝	39⅛	PhE	pfB4.30	9.7		z80	44¼	44¼	44¼	−¼
49	38½	PhE	pfC4.40	10.		z70	43	43	43	
13⅞	12	PhE	pfR1.41	11.		52	13	12⅝	12⅝	−⅜
13¼	11	PhE	pfP1.33	11.		75	12¼	12⅛	12¼	+⅛
88⅝	70¾	PhE	pfH7.85	10.		z400	77¾	77	77	−¾
12⅞	11	PhE	pfO1.28	11.		192	12¼	12	12⅛	
124	110	PhE	pfM15.25	13.		z2270	114⅞	114	114	−¾
103	84	PhE	pfK9.50	10.		z100	90¾	90¾	90¾	−1¼
[illegible]										

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
81¼	48⅝	Xerox	3	3.8	19	3855	80⅝	79⅝	80	+⅛
58¼	54⅛	Xerox	pf5.45	10.		28	55	54¾	54¾	−¼
28¾	21½	XTRA	.64	2.5		174	26⅛	25⅞	26	−⅛
25½	15	Yorkin			16	48	u25⅞	25½	25¾	+½
6	2¼	Zapata				576	4⅝	4⅜	4⅝	+⅛
43⅞	20¾	Zayre	.40	1.4	18	3886	29⅝	28¾	29	−¼
14¾	9¾	Zemex	.40	3.1	6	13	13⅛	13	13	−¼
28¾	18⅞	ZenithE				227	28⅝	28⅛	28½	
17½	8	ZenLab				697	10½	10¼	10½	+⅛
19½	12⅝	Zero	.36	2.2	17	190	16½	15⅞	16⅛	+¼
52½	32¾	Zurnin	1.36	2.6	18	115	52	51⅛	51⅜	−⅜
10⅝	8¼	Zweig	n.10e	1.1		682	9¼	9⅛	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 33

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Profit-taking prevents rise to record

WALL STREET

PROFIT taking robbed the Dow Jones Industrial Average of a further record yesterday as Wall Street stocks drifted on moderately heavy volume, *write William Hall and Roderick Oram in New York.*

Credit markets showed strength through the day, helped by some encouraging economic news. Bond prices rose as much as half a point.

The Dow Industrial index finished unchanged at 2,407.35, the record level it set on Tuesday. At its best it had been up about five points.

Broader market indices managed small rises to record levels with the Standard & Poor's 500 adding 0.06 to 304.82 and the New York Stock Exchange composite index gaining 0.10 to 171.45. NYSE volume rose to 185.8m shares from 157m on Tuesday with an equal number of issues advancing as declining.

IBM slipped $⅝ to $161⅜ and General Electric shed $⅝ to $53¾ while several other blue-chips registered gains. AT&T was up $½ to $27¾ on more than 6m shares, making it the most active NYSE issue. Several analysts have raised their opinions on the stock following an official filing with the Federal Communications Commission which shows that the group's communications business had a better-than-expected performance in April.

Sears Roebuck rose $⅛ to $51¼ and Du Pont, which is benefiting from positive publicity about an anti-Aids drug, was $3⅜ higher at $119. Digital Equipment, which has slashed the prices on its computer work stations in a bid to bolster its position in a fast growing market where it is underrepresented, rose $⅝ to $166⅝.

Firmer oil prices was reflected in further gains by oils. Atlantic Richfield rose $1⅜ ahead at $93⅞ helped by an analyst's suggestion that further restructuring may be ahead.

Exxon was up $¼ at $89⅝ and Occidental Petroleum was up $⅛ at $37⅛. Texaco, which this week took its battle with Pennzoil to the Texas Supreme Court, edged up $⅛ to $38⅝ but Phillips Petroleum was $⅛ easier at $16⅛.

Among the takeover stocks, JWT was unchanged at $52½. The advertising and public relations group rejected the $45 per share bid from Britain's WPP Group but said that its management would consider all "responsible alternatives" including WPP's offer to raise its bid to $50.50 per share. There have been persistent rumours that JWT has been talking to MCA, a Hollywood film producer, to rescue it from the attentions of the small but aggressive WPP which is headed by the former finance chief of Saatchi & Saatchi.

Allegis edged up $⅛ to $90 on news it had received another offer for its United Airlines subsidiary from another group of employees.

Southland Corporation, which had jumped by $8⅞ on Tuesday following rumours that the company was working on a recapitalisation plan to ward off a hostile predator, fell $⅝ to $64. Dayton Hudson, another rumoured retail stores takeover candidate, fell $⅝ to $54⅛.

In the financial sector performance was mixed. American Express dropped $⅝ to $35⅞ and First Boston, which has warned that it will report a second quarter loss because of heavy trading losses suffered during the collapse in bond prices in April, dropped $1 to $44¾. Merrill Lynch, a major rival which some weeks ago reported a $265m loss on its mortgage trading operations, slipped $⅛ to $36⅝.

Some insurance stocks were firm Cigna, AIG and Travelers all rising $⅛ to $63, $71⅛ and $45⅛ respectively.

The shares of the US money centre banks, which have had a strong rally over the last month, were mixed. Manufacturers Hanover, which announced a massive $1.7bn increase to its loan loss reserve this week, rose $½ to $45½ but Bankers Trust which also increased its loan loss reserve substantialy fell ¼ to $53⅛. Mellon, which has hired a new chief executive to revitalise the group, fell $⅝ to $35⅞ in early trading yesterday. By contrast Citicorp shares, which have risen by a quarter over the last month, added $⅛ to $62⅞.

The shares of Gencorp, which reported a $25m second quarter loss yesterday, rose $¼ to $104⅝. Jim Walter Corporation's shares fell by $¼ to $54⅜ despite reporting a rise in third quarter earnings

Credit markets opened a touch firmer because of some buying overnight abroad, but prices slipped slightly as the dollar eased back from its peak levels.

The benchmark 8.75 per cent Treasury long bond was up $^{3}/_{16}$ of a point at 103½ yielding 8.42 per cent by early afternoon. Shorter maturieties showed similar modest gains while Treasury bill rates were unchanged to a fraction higher. Trading was light.

Both currency and bond prices gained a brief boost from news that the growth in first quarter gross national product was revised to 4.8 per cent at an annual rate from 4.4 per cent.

CANADA

STRONG banking shares lifted Toronto modestly higher although most other sectors were sluggish.

Royal Bank of Canada gained C$1⅛ to C$33½ in active trading, Toronto Dominion put on C$⅛ to C$28⅜ and Canadian Imperial Bank of Commerce rose C$⅝ to C$21⅛.

International Thomson, which said it had acquired control of Associated Book Publishers of the UK, lost C$⅛ to C$14⅛.

Golds were down. Campbell Red Lake fell C$1⅛ to C$34⅛ and Dome Mines C$⅝ to C$17⅛.

Montreal was also helped higher by banks,

Ann Charters on a welcome boost for a troubled market

Brazil price freeze sends shares soaring

BRAZIL'S two major stock exchanges have soared in response to the government's economic programme announced at the weekend freezing prices for 90 days as part of a renewed effort to curb the country's galloping inflation.

The Bovespa index on the Sao Paulo Stock Exchange was up 21.5 per cent on Tuesday, the first day of trading after the measures were unveiled. This was the second largest gain in a single day since March 4, 1986, when the index rose 23.2 per cent following the Government's first price freeze.

The Rio exchange made a 14.1 per cent jump on Tuesday.

Euphoria gripped traders at the Sao Paulo exchange as orders poured in during the day. Volume increased 402.7 per cent to Cruzados 3.19bn ($85m), still small in historic terms but the largest figure for six months.

Analysts said the bullish mood reflected short-term optimism about the government's economic plan at a time when inflation has been increasing at over 20 per cent a month. It was also caused by the expiry of options on Tuesday: half the volume resulted from options trading.

The Bovespa index, which reflects the 138 most widely traded shares, closed 1,861 higher at 8,995, still well below last year's record high of 29,384 in April 1986 when small investors swelled the market seeking better returns than financial markets offered at the time.

The stock markets have been severe depressed in recent months because of the financial crisis and the inflation rate.

The analysts recommended continued caution yesterday, saying that it was not yet clear whether the economic package could offset the effects of economic recession and the reduced buying power of consumers, which will affect companies' performance.

Their advice to investors included selective purchasing, focusing on exporting companies.

EUROPE

Zurich, Amsterdam rise sharply as dollar firms

DOMESTIC concerns trimmed the recent gains made in most European equity markets, with only Swiss shares taking heart from the steadier dollar. West German markets were closed for a two-day holiday.

Zurich rose in sharply higher turnover as blue chips led broad advances.

Employment issue Adia led the field with a SFr 700 leap to SFr 12,000, continuing a rise which has seen it gain nearly 13 per cent since June 11. Quality control group Surveillance also moved up a further SFr 250 to SFr 5,950.

Financials improved. Union Bank bearers rose SFr 55 to SFr 4,675 and Swiss Bank bearers were up SFr 6 at SFr 435. Bearer shares of insurers Swiss Rè and Winterthur strengthened by SFr 200 and SFr 150 respectively to SFr 16,000 and SFr 6,325.

Ciba-Geigy bearers added SFr 120 to SFr 3,450. The chemicals group said it has signed a definitive merger with Spectra-Physics of the US.

Paris eased in a market softened both by the approach of the closing date for June accounts and general bearishness over high French interest rates.

News that France's preliminary retail price index was up 0.2 per cent in May after a 0.5 per cent rise in April was released too late in the session to affect trading.

Steel group Vallourec took a FFr 12.30 tumble to FFr 59.50 on news that the group is expected to make a large loss for 1987.

Household appliance group Moulinex also fell heavily, losing FFr 5.30 to FFr 89.70. In electronics, Radiotechnique gave up FFr 22 to FFr 1,475, Legrand lost FFr 40 to FFr 5,540 and SFIM dropped FFr 80 to FFr 1,470.

The car sector succumbed to profit-taking. Michelin gave up FFr 55 to FFr 3,265 and Peugeot FFr 15 to FFr 1,531.

Foods, however, ran against the trend and Lesieur continued its strong gains to add FFr 66 to FFr 2,035.

Amsterdam rose sharply in busy trade which was underpinned by optimism over a strong Wall Street and inflated by the continued publishing takeover battle.

Publishing take-over target Kluwer finished Fl 4.50 down at Fl 390 after a brief suspension during which its chairman gave a press conference on its merger with Wolters Samsom, which fell Fl 5.50 to Fl 132. Elsevier, its hostile bid for Kluwer thwarted by the merger, eased 80 cents to Fl 52.20.

Other sectors were stronger, however, with the five international stocks dominating trade. Royal Dutch, the day's most active, gained Fl 1.70, Akzo added Fl 3.50 to Fl 142.20, and Philips rose Fl 1.10 to Fl 49.10. KLM was steady at Fl 49.80, but Unilever lost Fl 6.50 to Fl 683.50.

Brussels finished mixed in a featureless session. The stock exchange index rose 3.23 to 4,671.82.

Profit-takers trimmed some of the week's gains. Steelmaker Cockerill Sambre and chemical Solvay bore the brunt and fell BFr 7 and BFr 300 respectively to BFr 175 and BFr 12,100.

Among the blue chips which suffered, Fiat ordinary was L58 lower at L13,032 and Montedison lost L32 to L2,560. Olivetti, however, added L48 to L13,650 in advance of the launch of new products.

Stockholm was higher after a series of positive economic indicators boosted the market. The Veckans Affarer all-share index rose 7.1 to 1,004.3.

Buying was sparked by better-than-expected trade figures and by a forecast of buoyant economic growth from the Swedish employers' federation.

Skanska jumped SKr 10 to SKr 285 and Mobo picked up SKr 5 to SKr 390. Saab-Scania also posted a rise of SKr 5 to SKr 621.

Elsewhere, Volvo added SKr 2 to SKr 320. Ericsson fell SKr 3, however, to SKr 265.

Oslo eased in thin trade following some profit-taking. Banks and industrials gave ground.

Madrid fell slightly in advance of the release of inflation figures for May, which came after the close. Banks eased but chemicals made some gains.

LONDON

SELECTIVE buying by domestic institutions drove London equity prices to another record close in an otherwise lacklustre session. Foreign investors, generally seen as crucial to supporting prices in the longer-term, were still shy of the market.

The FT-SE 100 index closed up 11.4 at a new high of 2,320.4 and the FT Ordinary index was 7.2 higher at 1,801.7, its first close above 1,800.

Government bonds closed firmer, helped by a strong finish in the Liffe futures market. Details, Page 32.

SOUTH AFRICA

UNCERTAINTY over the direction of the bullion price left Johannesburg gold share prices lower in nervous trade. Industrials also turned in a lacklustre performance.

Vaal Reefs and Randfontein, two bellwether golds, fell R4 to R408 and R3.50 to R425, respectively. Driefontein lost 50 cents to R80.75 and Anglo American Gold was R5 cheaper at R360.

Implats was 50 cents off at R47 in a cheaper platinum sector. Rustenburg Platinum shed 38 cents to R53.87.

Mining houses also eased, Gencor by 50 cents to R55 and Anglo American by 75 cents to R82.25.

Industrials were little changed in dull trade. Barlow Rand slipped 10 cents to R25.15, while South African Breweries was also 10 off at R18.90.

NTT role for foreign brokers restricted

By Our Tokyo Staff

THE JAPANESE Ministry of Finance has offered 20 securities houses a role in the second tranche of government-held Nippon Telegraph and Telephone (NTT) shares due to be released in October – choosing an underwriting syndicate which appears effectively to exclude foreign brokers.

According to the MoF, it has based membership of the syndicate on experience in the initial NTT share sale last year. Another sales syndicate of 94 companies including 35 foreign securities houses will be formed to take a subsidiary role in the offer this autumn.

Some foreign brokerage houses had been expecting to join the underwriting syndicate as a way of developing a future equity business in NTT, the telecommunications utility which now ranks as by far the world's largest company by market value.

Other firms have been less enthusiastic, pointing to NTT's flat earnings expectations and a lack of clarity about overseas ownership rights for its shares.

Foreigners were excluded from the offer of the first tranche of 1.95m NTT shares, which came to the market in February. The US congressional delegation which visited Japan in April pressed strongly for a larger share for US securities houses in domestic Japanese corporate underwriting.

There is a dominant opinion within the government opposing outright sales of NTT shares underwritten by foreign brokers overseas, although there have been no moves to block foreign purchases of its equity in the secondary market.

Japanese securities industry officials pointed out that if foreign brokers are prohibited from selling NTT shares overseas when the next tranche is issued, their marketing capability in the domestic market would not be sufficient to give them a primary role.

ASIA

Retail optimism fuels Nikkei

TOKYO

EXPECTATIONS of an economic revival and steady consumer spending spurred demand for department store and supermarket stocks and pushed Tokyo prices to a record close yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average firmed 190.56 to a new high of 25,929.42 on a volume of 1,130.96m shares, up from 1,030.53m on Tuesday. Advances outpaced declines by 522 to 407, with 131 issues unchanged.

Traders said that hopes for an economic revival were sparked by Tuesday's announcement that Japan's GNP for the first quarter grew at an annualised rate of 4.9 per cent in real terms. The growth was led mainly by strong consumer spending.

Consumption-related stocks were buoyed by the news with Tokyo Department Store soaring Y60 to Y1,240, Isetan Y80 to Y1,720 and Misukoshi Y40 to 1,780.

Supermarket chain operators and consumer credit firms also advanced. Jusco climbed Y100 to Y1,620, Ito-Yokado Y30 to Y4,100 and Nippon Shinpan Y50 to Y1,450.

Kawasaki Steel topped the active list, with 195.59m shares changing hands, adding Y3 to Y283, in a firm steel product market. Ishikawajima-Harima Heavy Industries rose Y27 to Y765 and Mitsubishi Heavy Industries Y17 to Y617, while Nippon Steel shed Y6 to Y357 and Sumiyomo Metal Industries Y4 to Y246.

Large-capitals remained relatively easy, as institutional investors kept a low profile, dealers said.

Some chemicals attracted small-lot buying on recovering demand for chemical products, with Shin-Etsu Chemical advancing Y90 to Y1,940, Mitsubishi Petrochemical Y25 to Y870 and Ishihara Sangyo Y25 to Y660.

High-technology stocks, however, closed almost unchanged, with demand coming mainly from investment trusts and non-residents. Big institutions stayed sidelined, dealers said. Hitachi, with 17.84m shares changing hands, ended steady at Y1,110. Matsushita Electric Industrial increased Y20 to Y2,020, while Sony Corp weakened Y40 to Y3,740.

Financials were mixed: Sumitomo Bank dropped Y10 to Y4,700, while Mitsubishi Bank climbed Y150 to Y4,100.

Bonds tumbled on investor concern over Tuesday's announcement of the rapid growth in money supply for May.

The yield on the 5.1 per cent 10-year government bond maturing in June 1996 rose from the previous day's 3.035 per cent finish to 3.200 per cent at the start of Tokyo trading, after hitting 3.171 per cent in New York overnight.

It closed at 3.200 per cent after touching 3.245 per cent at one stage.

HONG KONG

AFTER A BOUT of profit-taking in mid-session, Hong Kong share prices picked up again sharply to end the day at a third consecutive record high. The Hang Seng index rose 7.74 on the day to 3,178.62 after a 35-point fall and the Hong Kong index added 5.22 to 2,052.01.

Foreign buyers were present in an active session which saw shares worth HK$1.66bn exchanged compared to Tuesday's HK$1.58bn. The late recovery was helped along by a 12-point rise in the June Hang Seng index futures contract to 3,178.

Properties again led the market higher, with Cheung Kong up 20 cents to HK$13.50, New World Developments 50 cents ahead at HK$12.80 and Hang Lung gaining 30 cents to HK$15.10.

Leading active was Hopewell, which placed 50m shares at HK$3.50 each and lost 7½ cents to HK$3.7¼.

Utilites were mixed, with Hongkong Electric losing 15 cents to HK$9.50 but China Gas up 40 cents at HK$17.30.

SINGAPORE

A BROAD advance in Singapore took the Straits Times index 13.05 higher to 1,236.60 on sustained institutional demand. Private investors tended to focus on second-liners while the institutions sought leading blue chips in moderate trading.

Singapore Airlines added 30 cents to S$13.50, with foreign investors building up their holdings in preparation for the company's lifting of the limit on overseas ownership from 20 per cent to 25 per cent in August.

National Iron put on 15 cents to S$6.30, Fraser and Neave 10 cents to S$10.60

Among the lower-priced issues, Lum Chang Holdings gained 19 cents to S$2.09 on 2.6m shares after a two-day suspension as the company announced an unsecured loan stock issue.

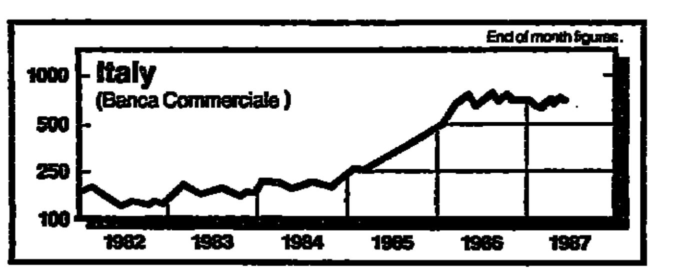
AUSTRALIA

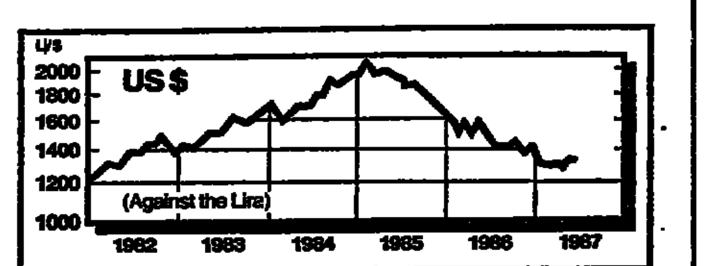
FALLING precious metal prices pushed Sydney lower for the third day in a row, with the All Ordinaries index losing 5.2 to 1,802.8 and the gold index dropping 49 to 2,977.

In the industrial sector, Adelaide Steamship fell 40 cents to A$8.60 on news that Bell Resources intends to take legal action against it over a transaction involving BHP shares. Bell lost 10 cents to A$4.30.

Pioneer Sugar Mills edged up 1 cent to A$2.55 after Industrial Equity bought a 10 per cent stake at A$2.54 compared with the CSR offer of A$2.50. Industrial Equity fell 6 cents to A$4.80 and CSR put on 7 cents to A$4.07.

KEY MARKET MONITORS





STOCK MARKET INDICES

	June 17	Prev	Year ago
NEW YORK			
DJ Industrials	2,407.35	2,393.22	1,865.78
DJ Transport	1,022.67	1,016.71	785.13
DJ Utilities	203.07	202.90	188.52
S&P Comp.	304.81	303.27	244.35
LONDON FT			
Ord	1,801.7	1,794.5	1,340.1
SE 100	2,320.4	2,309.0	1,605.30
A All-share	1,158.35	1,150.71	797.90
A 500	1,288.11	1,279.37	881.03
Gold mines	390.2	388.7	220.9
A Long gilt	8.84	8.85	9.38
World Act. Ind	134.47	134.65	91.31
TOKYO			
Nikkei	25,929.42	25,738.86	17,075.9
Tokyo SE	2,241.59	2,231.13	1,322.10
AUSTRALIA			
All Ord.	1,802.8	1,808.0	1,197.1
Metals & Mins.	1,095.3	1,099.5	520.0
AUSTRIA			
Credit Aktien	183.29	182.93	237.68
BELGIAN SE	4,671.80	4,668.50	3,522.85
CANADA			
Toronto			
Met.& Mins.	2,840.6	2,832.0	2,157
Composite	3,719.2	3,695.9	3,066.0
Montreal			
Portfolio	1,874.44	1,853.33	1,553.25
DENMARK SE			
SE	n/a	211.48	221.68
FRANCE			
CAC Gen	414.50	417.20	348.1
Ind. Tendance	103.20	104.30	82.04
WEST GERMANY			
FAZ-Aktien	closed	598.66	683.74
Commerzbank	closed	1,805.60	2,095.8
HONG KONG Hang Seng	3,178.62	3,170.88	1,789.34
ITALY Banca Comm.	715.01	719.03	717.00
NETHERLANDS ANP CBS			
Gen	298.20	295.00	291.6
Ind	252.90	248.30	285.0
NORWAY Oslo SE	434.29	434.81	355.81
SINGAPORE Straits Times	1,236.60	1,223.50	719.83
SOUTH AFRICA JSE			
Golds	—	2,079.0	1,204.7
Industrials	—	1,889.0	1,116.9
SPAIN Madrid SE	227.89	228.37	175.85
SWEDEN J & P	n/a	2,898.40	2,451.76
SWITZERLAND Swiss Bank Ind	600.10	592.90	580.7

COMMODITIES (London)

	June 17	Prev
Silver (spot fixing)	458.30p	467.05p
Copper (cash)	£975.50	£976.0
Coffee (July)	£1,288.50	£1,288.50
Oil (Brent Blend)	$18.925	$18.85

GOLD ($/oz)

	June 17	Prev
London	$452.25	$452.75
Zürich	$451.25	$453.55
Paris (fixing)	$ n/a	$448.96
Luxembourg	$449.25	$452.85
New York (August)	$451.60*	$451.90

CURRENCIES (London)

	US DOLLAR June 17	US DOLLAR Previous	STERLING June 17	STERLING Previous
$	–	–	1.6335	1.6350
DM	1.8255	1.8260	2.9825	2.9850
Yen	144.65	144.40	236.25	236.00
FFr	6.0950	6.0975	9.9550	9.9700
SFr	1.5180	1.5205	2.4800	2.4850
Fl	2.0560	2.0550	3.3575	3.3600
Lira	1,319	1,322	2,154.5	2,161.5
BFr	37.85	37.80	61.85	61.80
C$	1.3405	1.3410	2.1905	2.1930

INTEREST RATES

	June 17	Prev
Euro-currencies (3-month offered rate)		
£	8⅝	8[illegible]
SFr	4⅛	4
DM	3⅝	3¾
FFr	8⅝	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	7[illegible]	7[illegible]
6-month US$	7⅞	7⅞
US Fed Funds	6¾*	6⅞
US3-month CDs	6.80*	6.80
US3-month T-bills	5.65*	5.61

FINANCIAL FUTURES

CHICAGO

	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June 17 (June)	93-25	94-07	93-20	93-20
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.92	93.96	93.90	93.92
Certificates of Deposit (IMM) $1m points of 100%				
(June)	n/a	n/a	n/a	93.28

LONDON

	Latest	High	Low	Prev
Three-month Eurodollar $1m points of 100%				
(Sept)	92.57	92.61	92.56	92.51
20-year Notional Gilt £50,000 32nds of 100%				
(June)	126-27	126-27	126-09	126-12

US BONDS

Treasury

	June 17 Price	June 17 Yield	Prev Price	Prev Yield
7¼ 1989	101[illegible]	7.38	100[illegible]	7.487
7 1994	94[illegible]	8.05	94[illegible]	8.419
8½ 1997	101[illegible]	8.22	101[illegible]	8.301
8¾ 2017	103[illegible]	8.41	102[illegible]	8.488

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	June 17 Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	June 17 Price	June 17 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.29	6.35	93.29	6.35
SCBT South Central 10⅝ Jan 1993	103	10.17	103	10.17
Phibro Sal 8 April 1996	91.72	9.40	91.72	9.40
TRW 8⅞ March 1996	97.32	9.20	97.32	9.20
Arco 9⅞ March 2016	103.14	9.55	103.14	9.55
General Motors 8⅝ April 2016	86.07	9.55	86.07	9.55
Citicorp 9⅝ March 2016	92.76	10.15	92.76	10.05

Source: Salomon Brothers

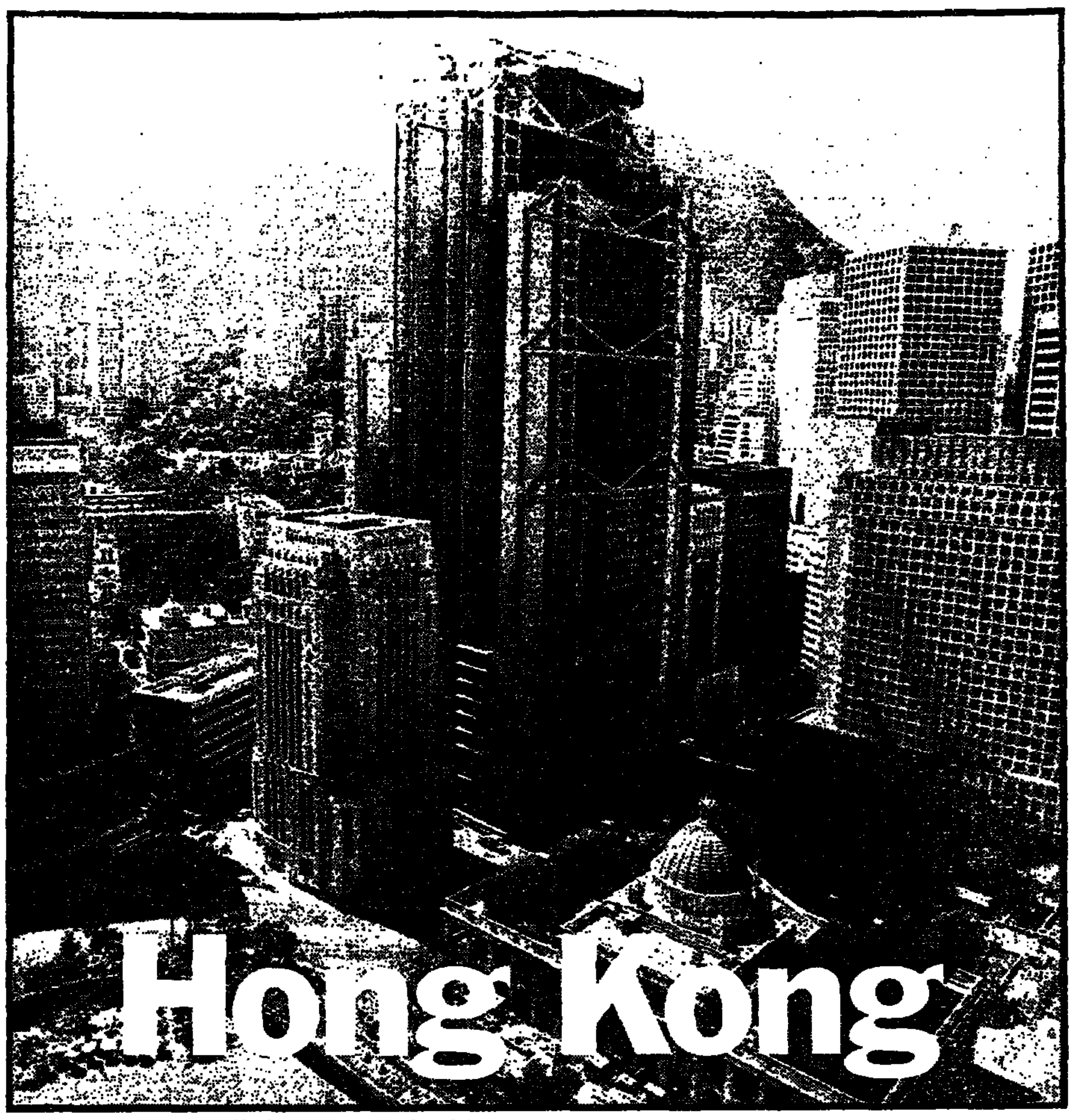
* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

香港

Hong Kong remains for many a thriving proof of how Adam Smith's ideal of unfettered free enterprise can work. The reality is more complex, however. As **David Dodwell** reports, the authorities have *come under increasing pressure to* intervene, as monitor and regulator, in areas as diverse as the environment and banking, and to provide support for industry in the world trade arena.



Hong Kong Island's Central District: an ever-changing skyline.

CONTENTS

The myth is exploded

"THE IDEA that we are a *freewheeling laisser-faire* society is—in terms of social policies—total baloney," says David Ford, head of Hong Kong's civil service.

The news may come as something of a shock to those who still regard Hong Kong as the nearest one can get, in practical terms, to the Utopia that the likes of Adam Smith or Milton Friedman hold so dear.

It also glosses over the fact that despite increasingly serious political uncertainties, the territory continues to encourage an entrepreneurial environment that has few parallels worldwide, and has a Government firmly committed to the principles of non-intervention, balanced budgets and low taxation.

Few other governments could point to a HK$25bn airport plan *being proposed as a private sector* venture, or a French-led consortium proposing to build a major road tunnel for it, or a couple of cross-harbour tunnels that have been built, or are being built, at no expense to the taxpayer.

Nor could they boast a major underground system, and an overground railway, that are run on a self-financing basis. Examples like this still make Hong Kong an extraordinary model of how a government can keep its finger out of people's pies, keep taxes low, and still provide services that match most worldwide.

But David Ford's comment underscores the fact that as Hong Kong has become a more sophisticated society, with greater affluence and better levels of education, so the Government has been pressed *to* make compromises that have put a considerable distance between itself and the ideal government that Adam Smith would have wished on it.

"*It's quite misleading to say* that we have a *laisser-faire* attitude," says Anson Chan, Hong Kong's recently appointed Economic Secretary. "It's not a total 'hands-off' government. But as we come under greater pressure to be involved, so the bottom line is that we have to earn enough to support our involvement."

Few outside the territory realise, *for example, that* Hong Kong has a larger proportion of its population in public housing than almost any country worldwide — about 48 per cent. There is a commitment to make the housing authority *self-financing* by 1994, but this objective is a long way off yet.

Similarly, while outside observers praise the vigour of Hong Kong's manufacturing sector, with its 40,000-odd privately-owned factories, many of the territory's largest and most prosperous companies have become strong not because of their commitment to free enterprise, *but because of profits made* possible through government-guaranteed monopolies—called schemes of control.

The terms under which schemes have been agreed have ensured that utilities have provided services that compare favourably internationally, and at comparatively low cost — a claim that probably could, not be made in most cases of simple privatisation.

Sir Sze-Yuen Chung, one of the territory's most respected political figures, recently noted "Hong Kong is a free enterprise economy, but that is only half of *the story.*"

As part of the other half of the story, the Government has in the past three years tightened banking regulation, and is in the course of enforcing internationally acceptable standards of regulation on the stock market and securities industry.

Recognition that pollution is becoming an increasingly serious threat to Hong Kong's finely balance environment has led to increasing intervention in this area. The Government's Environmental Protection Department, which in 1977 amounted to one man, today has more than 500 staff, *and will have* expanded beyond 800 by next year.

The pressures for intervention are partly political—linked with demands for a more democratic style of government, and what many conservative figures see as growing populist pressures on the Administration. Recent demands for a Central Provident Fund, or for government funding for a fourth academic year to be added to degree courses at the Hong Kong University, offer good cases in point.

Others see Peking's resumption of power in 1997 as a good reason for more intervention today. Somewhat cynically—and *perhaps naively—they see it* as inevitable that Peking will govern Hong Kong with a more direct hand, and reckon that it is no bad thing for today's Administration to become more involved so that precedents are set which the Chinese will find it hard to break.

There are also economic factors pushing in the direction of more involvement—to do with fierce international competi*tion for export opportunities,* and efforts to cement Hong Kong's claim to be one of the world's leading financial centres.

Ms Anson Chan observes: "As the community prospers, so there *is* a greater *demand* for services, and a greater demand for the government to be involved in daily *life.*"

There are few who dispute Hong Kong's increasing *prosperity. Exports* continue to grow strongly—by 16 per cent last year, and about the same rate so far this year. The economy grew in real terms last year by 8.7 per cent, while inflation remained at a modest 3.2 per cent, and unemployment was a negligible 2.1 per cent.

"Wage levels have been rising by about 15 per cent a year for the past 25 years," says Sir S. Y. Chung. "They have risen not *through wage bargaining,* but just because of supply and demand."

This strong economic performance is due at least in part to the legendary flexibility of Hong Kong's business community, and the fact that they operate in an almost entirely free market context.

Manufacturers buy products wherever they can get them most cheaply—even at the risk of angering US competitors, as in the case of microchips—and are unhindered by import duties, complex regulations, or other restrictions.

But even here, in the inner sanctum of Hong Kong's free market heart, there is mounting pressure for government aid or protection. Electronics manufacturers see competitors in Taiwan and South Korea mak*ing strides into new areas* of technology with financial help from their governments, and with substantial government support for their research and development effort, and they clamour for similar assistance.

The Government at present *refuses to offer more than in*frastructure support, and advice through the productivity council, but it may in due course be pressed to relent.

The local construction industry, shell-shocked by the success of Japanese and Korean competitors in winning local contracts, has pressed for protection.

The massive textile sector is almost alone in seeking no direct aid from the Government—perhaps, in part, because existing quota entitlements insulate it against the most alarming implications of the US textile lobby's demands for protection.

Even here, however, government support has been sought in rebutting US industry pressures. Lobbyists have been employed on Capitol Hill, not just to argue the interests of Hong Kong's textile exporters, but to *exploit Hong Kong's free market* reputation to win "special case" treatment as the US administration threatens trade sanctions across the Pacific.

It is a measure of the Government's success here that the US appears to have dropped demands for it to abandon the only indisputable economic prop that it provides to local exporters—manipulation of the local currency.

The US dollar-HK dollar "link rate," held in place since autumn 1983, has meant that as the US unit has weakened, so too has the HK dollar, maintaining Hong Kong's exporting *advantages* in the US, and allowing a steady devaluation elsewhere.

The territory's trade boom, with powerful export gains in Europe and even in Japan, owes a great deal to this devaluation, and while competitors in Korea and Taiwan have had to bow to pressure to revalue their currencies, Hong Kong's free trade ethos appears to have won it a valuable exemption.

Sir S. Y. Chung, well aware of the virtues of the territory's free trade ethos, is nevertheless clear that the day has come when the Government "must also be fair"—which means that Adam Smith, *unalloyed, must be* part of the past. "We have grown in my lifetime from a relatively primative, uncaring, cheap life society, into a much more sophisticated, health conscious, caring community," says Sir S. Y. Chung. He would probably add that if this sits uncomfortably with Adam Smith then that is Mr Smith's problem, not Hong Kong's.

Profile: Piers Jacobs, Financial Secretary

Cautious hand on the tiller

ONE OF the curious things about an economic policy of non-intervention is that once embraced as a philosophy it removes from a government the onus of producing the new ideas and directions that are the hallmark of politics in the industrial democracies of the West. Since Hong Kong has long had an established policy of *laissez-faire*, it might therefore be wrong to assume that its leading officials must be brimful of exciting innovation.

Certainly this is a notion that appears to hold good of Mr Piers Jacobs, who has now held the top economic position of Financial Secretary for almost exactly a year. There could scarcely be any greater contrast with Sir John Bremridge, his predecessor. Whereas Sir John was a rumpled, abrasive businessman who enjoyed taking decisions, Mr Jacobs, 54, is a dapper, laid-back civil servant who thrives on consensus.

Mr Jacobs is in many ways a very lucky man, because he has inherited the position at a time of remarkable strength in the Hong Kong economy. The buoyancy of fiscal revenues prompted him to pose the choice in his budget this year between an increase in government spending, lower taxes or a further accumulation of fiscal reserves.

Such is his desire to be non-controversial that he opted in the same speech for "a prudent mixture" of all three. Corporate and personal taxes were cut, but only by a paltry half percentage point: capital spending on new projects was increased modestly to HK$6bn from HK$4.8bn; and the government is still aiming for a small overall surplus.

Mr Jacobs also used the budget to launch a tentative debate on the merits of increasing indirect taxation to broaden the tax base of a territory where only a fraction of individuals are caught in the income tax net and 43,000 taxpayers provide 52 per cent of all direct taxes.

Yet the idea was thrown out simply as a theme for discussion and critics would say its handling shows how Mr Jacobs lacks the determined vision of some of his predecessors such as Sir Philip Haddon-Cave for whom the theory of positive non-intervention was an almost religious philosophy.

Mr Piers Jacobs: thriving on consensus

Comment in the local press that the budget was bland and boring left him unperturbed, however — "I sincerely hope that I shall not produce anything exciting. That is not what Hong Kong wants," he says.

There is a case of course for suggesting that the time for economic experimentation in Hong Kong is over in the long run up to 1997 when the territory will revert to China.

"What we must try and achieve over the next 10 years is stability," Mr Jacobs says. That means that Government has to be both more cautious about any change of course and attentive to opinion both in Hong Kong itself and in the mainland. A feisty, doctrinaire Financial Secretary would be out of place in this environment, and it may well be that what Hong Kong needs is the kind of low-key pragmatic approach epitomised by Mr Jacobs.

Though he says the role of government in Hong Kong may increase as society becomes more complex, he adds that he retains a "firm commitment to providing an environment in which the private sector can flourish."

The problem lies in knowing exactly where the lines are now drawn. The debate on economic policy in Hong Kong has shifted recently as the Government has realised that it needs to do more to promote the upgrading of the electronics industry so that it will remain competitive with Taiwan and South Korea.

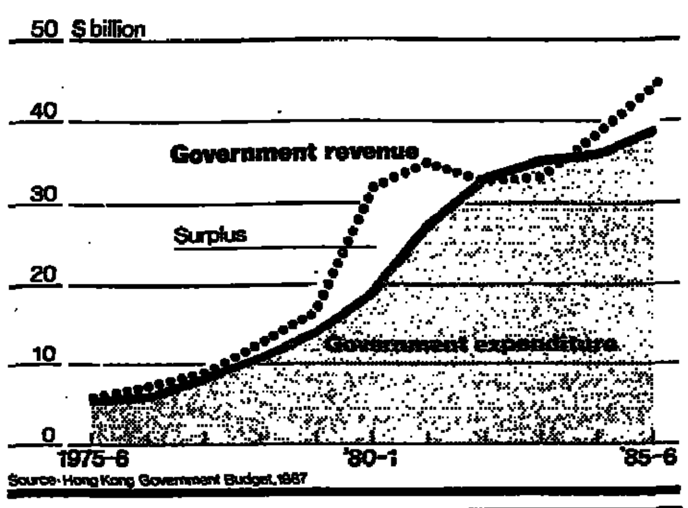
Mr Jacobs denies that this represents a fundamental change in economic philosophy, but equally he bridles at the suggestion that it is mere tinkering about at the margins. The public is left with the impression that there is a tendency for drift in government economic thinking.

That is all right so long as things are going well. A lawyer by training, Mr Jacobs first entered the Hong Kong Government some 24 years ago and rose to his present position via the relatively obscure posts of Registrar-General and Secretary for Economic Services.

Beyond the fact that he clearly is an affable and friendly man, Hong Kong has so far had little chance to discover what really makes him tick. Only time will tell how he reacts in a crisis.

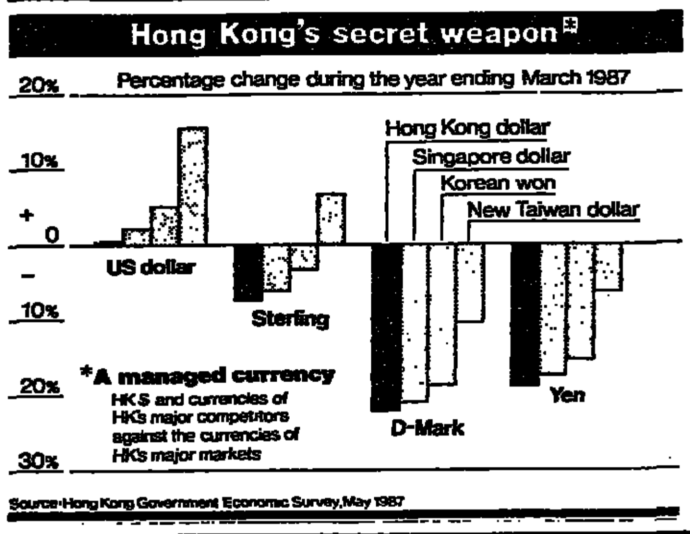
Peter Montagnon

Balancing budgets



Source: Hong Kong Government Budget, 1987

Hong Kong's secret weapon*



Source: Hong Kong Government Economic Survey, May 1987

Economic performance

Envy of the world

HONG KONG'S policy of non-intervention in its economy always looks at its most convincing when events are going well. Last year and in the early part of 1987 the territory has presented a scintillating economic record that would make it the envy of most governments in the industrial world.

A strong growth rate, record exports, low inflation, low interest rates, low unemployment and a fiscal surplus—there are all on the score-card for 1986 and the good news has continued into this year with the only blight so far only being a slight but still manageable increase in the inflation rate.

Paradoxically, however, Hong Kong owes this success largely to the one area of policy where government manipulation is blatant and admitted. Its exchange rate has been pegged at HK$7.80 per unit of US currency ever since. 1983 when political uncertainty over the territory's future prompted a panic outflow of currency and the local unit plunged in exchange markets.

In 1985 when the US currency was rising inexorably on world foreign exchange markets this produced a dismal year for Hong Kong, but since the so-called Plaza Agreement on major currency alignments the US dollar has fallen, taking the Hong Kong currency down with it and making exports doubly competitive.

Not only are Hong Kong goods better value in markets with strong currencies like Europe and Japan; their relative edge has improved over those of neighbouring countries like Taiwan and South Korea which have seen their currencies appreciate.

It is small wonder that the government is thus doing all it can to resist pressure from Washington for it to revalue the currency so as to bring about a reduction in its bilateral surplus with the US.

Officials have repeatedly denied that any change in the currency peg is in prospect, stressing that it was introduced for political rather than economic reasons in the first place and warning that to abandon it could again lead to destabilising and volatile currency movements.

Moreover, they argue that the fixed exchange rate is only a partial and theoretical deviation from the basic free-market policies to which Hong Kong has long adhered. The fact that the Hong Kong dollar was allowed to appreciate with the US currency up till Autumn 1985 and that the Government makes no effort to interfere with the implications of the exchange rate for other price levels in the economy show that it cannot easily be accused of deliberate competitive devaluation.

Basically, the link works through an arrangement that backs the issue of local banknotes with US currency at the fixed rate of HK$7.80. This means that the interbank exchange rate cannot deviate much from the link since dealers would quickly arbitrage away any difference. But at times when there is a tendency for currency to flow out of the territory interest rates will rise sharply. Conversely, they will fall when there is an inflow. As before, Hong Kong is therefore vulnerable to extremes in the business cycle.

At the moment things are going all Hong Kong's way. Though local banks raised their best lending rates by a half percentage point to 6½ per cent in April in line with the trend in the US, they remain well below the 8¼ per cent US prime rate indicating that the currency market is having to absorb and reverse a quite sizeable inflow of funds from abroad.

Moreover, Hong Kong was able to escape the inflationary impact of its weak currency last year when consumer prices rose by only 2.8 per cent. This was both because of the general weakness in imported raw material prices and because the devaluation of the Chinese renminbi helped contain price rises on the essential goods—including food and water—that are imported in large quantity from the mainland.

The question is whether and for how long Hong Kong can sustain this favourable performance. In his budget speech earlier this year Mr Piers Jacobs, Hong Kong's new Financial Secretary, forecast a dip in the overall growth rate to 6.2 per cent from 8.7 per cent in 1986 and a rise in the inflation rate to 6 per cent.

There is little doubt, however, that following a 9 per cent real increase in investment spending last year the economy is showing signs of overheating, and some economists feel inflationary pressures are stronger than government forecasts suggest.

It may no longer be possible to contain price rises on imported raw materials. The oil price has recovered strongly this year. That has brought higher fuel costs as well as higher Hong Kong dollar prices for oil derivatives like plastic of which industry is a large consumer.

Unemployment was meanwhile at a record 2.2 per cent record low last year and businessmen say the labour market has become very tight with wages rising at an annual rate of 10 to 20 per cent.

Though manufacturers are able to offset this to a degree by subcontracting assembly work to low cost factories in Southern China, it places continuing pressure on productivity and the risk is that inflation could now rise quite sharply.

Not only has Hong Kong been able to demonstrate a firm commitment to the principles of free trade because of its open markets and lack of tariffs; officials say that the US has also accepted its argument that the exchange rate peg is a necessary political device without which it might be difficult to maintain financial stability.

Even the notion that Hong Kong could simply adjust its peg in a once and for all revaluation cuts little ice in the Government Secretariat. The fear is that once the possibility of adjustment had been admitted it would be impossible to persuade the public that change would not occur again and the value of the peg would have been lost.

The problem is that by most normal standards the Hong Kong dollar is undervalued. Officials tend to defend the present exchange rate level by pointing out that even if the territory does enjoy a substantial surplus on its bilateral trade with the US, its overall trading position is expected to be in deficit by some HK$8bn this year and last year saw a negligeable surplus of just HK$575m. But this does not take into account Hong Kong's large invisible earnings from items like tourism and banking.

The question is whether—and for how long—Hong Kong can sustain its favourable economic performance

Hong Kong has never published figures for its current account balance of payments but the Government's estimate for the invisible trade surplus put it at some HK$13bn last year and private sector estimates for the current account as a whole are in the order of HK$15bn or around 5 per cent of gross domestic product. Pressure on the currency might therefore become unbearably strong if the US unit continues to weaken, especialy against the Yen.

Moreover, there is still little sign that the devaluation of the US dollar last year has had any meaningful effect in reducing that country's overall trade deficit with the rest of the world. So long as there is no respite from this quarter, political pressure in Washington is likely to focus on countries with bilateral surpluses with the US whatever their trade policies. Hong Kong remains vulnerable to this in a key sector now under the scrutiny of lawmakers in Congress. Legislation to restrict imports of textiles (on which Hong Kong depends for over 40 per cent of its domestic exports to the US), has passed the House of Representatives, albeit by a narrow majority.

President Reagan has promised to veto such a bill if it also passes through the Senate, but it has become a predictable facet of US trade policy that pressure emanating from the Congress is deflected in almost equal measure by the administration to the trading partners of the US abroad. The easy ride that Hong Kong is now enjoying at the hands of the US on trade could come to a rapid end if the political debate on textiles in Washington got out of hand.

All this is of course, well into the realms of speculation. For the time being Hong Kong looks set to enjoy a steady, if not spectacular rate of economic growth and its businessmen express a degree of confidence in the economic future that is in marked contrast with their private long-term political worries for after 1997.

But pondering the possibilities of the future is nonetheless instructive. It suggests two conclusions that are easily overlooked in the present euphoria. The first is that an exchange rate link cannot necessarily remain in place for all time. The second is that, although it has worked well in helping to restore the shattered confidence of 1983, it is a policy which could yet rebound against the Government.

The more the Government protests that the peg is here to stay, the greater would be its loss of credibility if and when it were forced to back-track. And that is no comforting thought for an administration whose main preoccupation now is to provide an aura of calm economic, social and political stability in the long run up to 1997.

Peter Montagnon

Economic performance

	1982	1983	1984	1985	198[illegible]
Real growth (%)	3.0	6.5	9.5	0.6	8.[illegible]
Inflation (%)	10.5	9.9	8.2	3.2	2.[illegible]
Domestic exports (HK$bn)	83.0	104.4	137.9	129.9	154.[illegible]

Controversy is intensifying over the issue of direct elections

Big test ahead for administration

A DECADE from now, at midnight on June 30, 1997, Britain's lease on Hong Kong will expire, and sovereignty of the Crown Colony, booty of the opium wars of over 140 years ago, will revert to China.

The Governments of Britain and China would have Hong Kong believe that nothing much will change for 50 years beyond the handover, that it will continue to be one of the world's great economic enigmas, a monument to capitalism within a monolithic communist state. It is a comforting picture, but not altogether a convincing one.

With 10 years still to go before the transfer of power, there are already clear signs of China flexing its muscles to steer Hong Kong in the direction it wants, of Britain anxious to back off a diplomatic confrontation, and of the people of Hong Kong becoming increasingly jittery about the maintenance of prosperity and stability.

But over the next decade, Hong Kong and its Government must proceed on the assumption that China will stick to its word and honour the terms set out in the Sino-British joint declaration of December, 1984.

The first major test of the good faith of all three governments is now under way after publication last month of the greenest of Green Papers on political reform between now and the change of sovereignty. The document painstakingly avoids suggesting any preferred way forward, but invites all elements of Hong Kong society to give their views on what changes they want, if any.

Opinions will be monitored over the next three months and a White Paper will be published early next year, it will be an important test of the colonial administration's mettle.

The Government would be faced with the uncomfortable option of accepting the pressure and going ahead with direct elections in the certain knowledge that this would incur the wrath of Peking, or of backing away from direct elections in order to keep relations with China on a friendly, stable footing. As Sir David Wilson, the recently appointed Governor of Hong Kong comments wryly: "We are in a no-freedom-from-criticism situation."

While the Government can clearly perceive the tactical problems of introducing direct elections, it must also maintain at least the appearance of being in charge until 1997 and running Hong Kong in line with the wishes of its inhabitants—many of whom do want an element of western-style democracy.


Mr Martin Lee, Legislative Council Member: a rallying point for democratic reforms.

But two recent events have shown to some that the government is not always willing to take public opinion into account. One was the go-ahead for a joint China-Hong Kong nuclear power station just across the border, and the other the passing by Legco of the Public Order (Amendment) Bill.

This imposes heavy fines and prison sentences for the publication or broadcasting of false news likely to cause alarm or public disorder. It has fuelled fears that civic freedoms could be easily curbed by Peking after 1997.

The Chinese Government, as Deng Xiaoping, the paramount leader, has said bluntly, is anxious to inherit the present political structure of Hong Kong, which is very far from a democratic one. It was tailor made for a colony, with the Governor exercising autocratic powers benevolently.

The system was based on the premise that the British rulers knew what was good for business and order, and what was good for trade was good for the people, who had no say and little interest. As Louis Cha, a millionaire publisher admits: "We concentrated our energies on making money."

But since the joint Sino-British declaration, there has been an upsurge of interest in politics and some strange informal partnerships have formed.

The British and Chinese Governments, and Hong Kong's wealthy businessmen all for varying reasons now appear to favour as little change as possible in the political structure. They are wary of too much democracy, either because it would upset diplomatic relations or would upset business confidence by injecting an element of consultation and control over what has been a notoriously free-wheeling, live and let live economy.

On the other side of the argument is something new to Hong Kong: opposition to the establishment view. This was given heart by Mrs Thatcher's promise in 1984 to introduce democracy to the economy. The intention was to start with indirect elections to Legco, the law-making body, and if this went well, to introduce direct election in 1988, with the proportion increasing steadily before 1997.

The idea was taken up with enthusiasm by professionals and academics led by Mr Martin Lee, QC, representing the legal profession on Legco. But with Deng's warning that a western-style democracy for Hong Kong would be undesirable pushing the British and Hong Kong governments into a neutral position, the advocates of direct elections have found themselves more isolated than they expected.

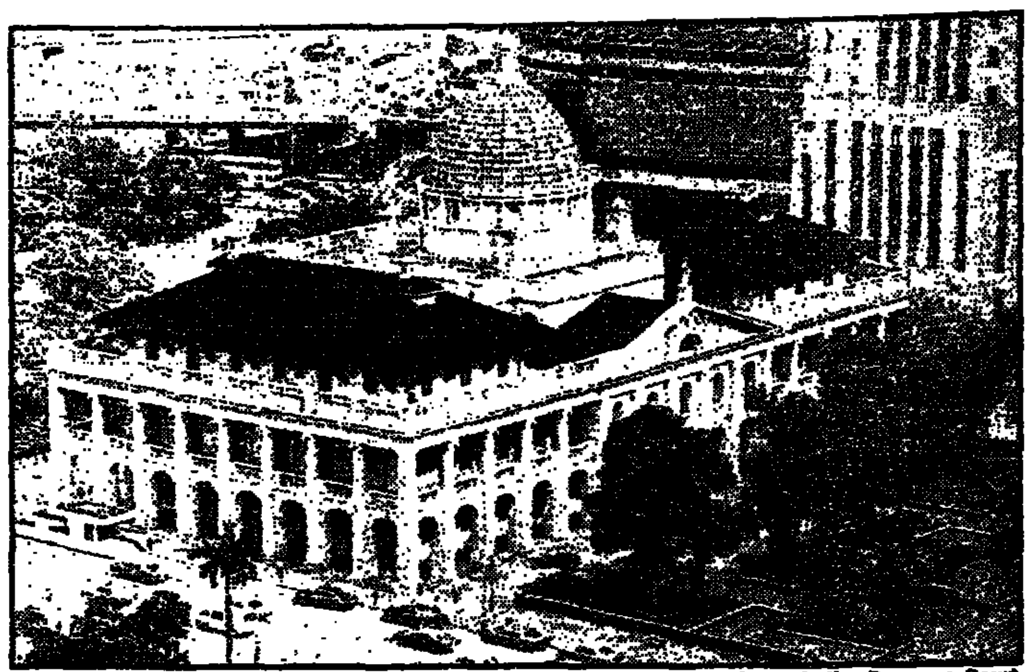
They are also poorly organised compared with the business-led supporters of the status quo, who believe that at best calls for more democracy are premcture and at worst confrontational and destabilising.

A danger perceived by the advocates of early direct elections is that if these are baulked there will be an increasing number of professionals seeking to leave Hong Kong, or who will make sure they will have the option of leaving before 1997.

"There has already been an erosion of commitment; the moderate forces in favour of democracy are being thinned out," says Joseph Cheng a poliitical scientist at Hong Kong University.

Martin Lee believes that unless direct elections come in 1988 there would be no time for them to take root. "If the Hong Kong government can be bullied into not introducing direct elections next year, what is to stop China moving in even more in the years up to 1997?" he asks.

China's paramount concern is that changes introduced by Britain do not dictate the contents of the basic law to come into operation in 1997. A draft of this will be published next year and a final version in 1990. "The real bone of contention is not so much what is done as who does it," says Joseph Cheng. "China does not want to be pre-empted. It is largely a matter of face."


Hong Kong's present seat of power: the Legislative Council Chambers, formerly the Supreme Court building. With 10 years still to go before Britain's lease expires on Hong Kong, there are already clear signs that China is flexing its muscles to steer the territory in the direction it wants.

The most over used word in Hong Kong is convergence, meaning that any plans made for political change by the Hong Kong Government will have to come into line with Peking's basic law by 1997. It would be provocative and on the long term futile for Hong Kong to make proposals that would then be reversed by the basic law.

Although the Hong Kong Government's tactical problems are considerable, there remain powerful reasons for the maintenance of prosperity and stability. In less than a century and a half the Crown Colony has grown from a fishing village to one of the largest trading and financial centres in the world, and its economic miracle may yet prove to be its political salvation.

China's enormous stake in Hong Kong's economic success and hence its political stability is greater than ever, and without Hong Kong the modernisation of China's economy could arguably grind to a halt.

Politically, it remains vital for China to show that the "one nation, two systems" scenario can work if there is ever to be any prospect of tempting Taiwan back into the fold.

Richard Evans

Profile: Sir Sze-yuen Chung, senior member, Executive Council

Outspoken views on elections startle many

PERHAPS THE most sensitive immediate issue facing the people of Hong Kong is whether direct elections should be introduced in 1988, well before China's new laws for the territory have been drafted. It had been a fairly open question until Deng Xiaoping, the Chinese leader, said in April that universal suffrage and direct elections "would not be beneficial to Hong Kong."

His remarks, seen as a sharp warning to the people of Hong Kong to back away from direct elections, were followed within days by similar comments from Sir Sze-yuen Chung, senior member of Hong Kong's Executive Council. It is a tribute to the influence of Sir SY—as he is usually known—that his impact was as great as or greater than that of the Chinese leader.


Man of influence: Sir SY, as he is known, emphasises that Hong Kong is not an independent state and the will of the people alone should not decide the issue of increased democracy.

Sir SY triggered reactions of anger and frustration and in some cases resigned acceptance of his logic from the supporters of direct elections, and he deeply embarrassed the Hong Kong government.

The official stance remains that the review now under way to determine what sort of political system would be appropriate for Hong Kong in the run-up to the change of sovereignty in 1997, will be genuine and public opinion "will be taken fully into account."

But because of Sir SY's influence as the layman closest to the seat of power, many people assumed there had been collusion and Sir SY was in reality speaking for the Government. The theory was that the Government had no intention of introducing direct elections even if a majority favoured them because of the hostility they would provoke in Beijing.

An immediate statement had to be put out by Sir David Wilson, the recently-appointed governor, insisting that the review would be independent and objective.

Balance upset

What Sir SY did was to upset the delicate balance between the liberally minded young professionals pressing for more democracy, and Hong Kong's more conservative elements including leading businessmen, who want to maintain stability at all costs. This means not upsetting Beijing, but waiting for the new laws to be formulated in 1990 before proposing substantial political changes.

Sir SY, a chartered engineer by training, chairman of Sonca Industries, and leading advocate of Hong Kong's proposed science and technology university, insists that his remarks were his own personal views. They in no way reflected the views of the government or of the Executive Council, Hong Kong's policy-making body.

His theme was that Hong Kong was not an independent state and the will of the people of Hong Kong alone should not decide the issue of increased democracy. "Do not forget the views of Beijing," was the message, and to go against them would be too big a risk.

The remarks demoralised the advocates of direct elections and there is little doubt they persuaded many people to reconsider their views.

But Sir SY is unrepentant. "I startled a lot of people who were trimming... but the timing was right because it was just before the match starts. It is up to them if they want to take the gamble. I just tell them what the odds are."

Sir SY, holder of the Order of Sacred Treasure (Third Class) from Japan, lists as his clubs Kowloon Cricket Club, the Royal Hong Kong Jockey Club, and Les Ambassadeurs Club, London.

Richard Evans

Profile: Sir David Wilson, Hong Kong's Governor.

Mountains to climb

"ANYONE WHO can climb Mount Kongur is likely to be man enough for Hong Kong." said a respected Chinese journalist on news that Sir David Wilson had been appointed Governor of Hong Kong.

After what Sir David describes as "my long seven weeks of experience here" as Hong Kong's 27th Governor, he probably feels that Mount Kongur, the Himalayan peak that he climbed in 1981 as a member of an expedition led by Chris Bonnington, was a snip.

He arrived to find the community in fickle mood, anxious to the point of paranoia over recent political developments in China, in particular the ongoing campaign against bourgeois liberalism. Pressure groups and political activists were bruising for battle over the pace and direction of political change.

A green paper on political reform was in final preparation that laid the ground for fierce debate over the summer ahead. This debate promises a higher than average possibility of strong differences of opinion with Peking on what reforms are acceptable.

From his office in government house, which was made grand by Japan's occupation forces during the Second World War and which today stares down over the Hongkong Bank's new headquarters, one of the world's most expensive and evocative monuments to modernity, Sir David is already aware of the trip wires that surround the Green Paper debate.

Musical chairs

"We are in a no-freedom-from-criticism situation, and a no-win situation," he quips in flippant bureaucratese that says more about his unflustered freshness than about the political minefield that lies ahead.

Critics would have been easier to cope with if he had not arrived to find the colonial administration in a state of drift — some would even say disarray — reeling from attacks over mismanaged press and film censorship reforms, and preoccupied with one of those breathtaking bouts of musical chairs that occasionally sweeps over a bureaucracy leaving almost every senior official simultaneously reading him or herself into a new and unfamiliar portfolio.

Sir David does not make light of the disruption among the higher ranks of the civil service that was apparent on his arrival: "The sudden death in Peking of my predecessor, Sir Edward Youde, was a major blow as well as a sad occasion. Everyone had expectd him to be in office for a further two years.

"There had to be a very fast reshuffle, and I was part of that reshuffle. It should not be surprising that the Government machine has taken some time to settle down again." he added, his Scots accent origins devastated by study at Oxford University, and a lifetime in diplomatic service.

Very few could be better equipped to become Hong Kong's Governor than Sir David. He has spent the greater part of 30 years studying about Asia, working in the region, and being involved in British Government policy there. From a period of Chinese language study at Hong Kong University from 1960, he was back in 1977 as political advisor to Sir Murray Maclehose, the then-governor.

In 1984, he was closely involved with negotiating and drafting the Sino-British Joint Declaration on Hong Kong's post-1997 future, and later that year was appointed to head the Joint Liaison Group, which has the task of ensuring a smooth transition of power between now and then.

But what ought to be unparalleled experience of Hong Kong and China has been turned by some into the basis for criticism. Some complain that Sir David has until now always been preoccupied with Britain's interests in China, and as governor will be more "Britain's man" than Hong Kong's.

While Sir David acknowledges this prejudice, he wastes no time in dismissing it: "The myth may be that governors come here as London's men, but the reality is that they very quickly become committed to and synonymous with Hong Kong's interests.

"Sitting in London, when Foreign Office staff read these reports that a governor is a puppet from Whitehall, it is only too clear that the speculation is ridiculous."

However, he sees no short cut to eliminating this prejudice: "I can't rub out people's preconceived ideas overnight. All I can do is behave naturally, do the job as best I can, and hope that people then realise the mythology is incorrect."

Questions over Sir David's commitment to Hong Kong have also been raised because of his comparative youth. At 52, some said that he is likely to have an eye on a job beyond that of Governor, and as such is unlikely to want to cross swords with Whitehall if it puts in jeopardy future job prospects.

Sir David's response is unequivocal: "There is no bigger or better job given to anyone in the diplomatic service than that of Governor of Hong Kong. As far as I'm concerned, being Governor marks the apex of my career, and I don't expect to do anything else that will be more important. I am totally committed to being a good governor."

He is unperturbed by talk of emigration, capital flight, and collapsing confidence in the territory: "People would not be human if they didn't worry about the future. But if you look back over the past 30 years, one of the remarkable things is how a sense of identity has grown up. In the 1950s, Hong Kong was almost like a transit lounge.

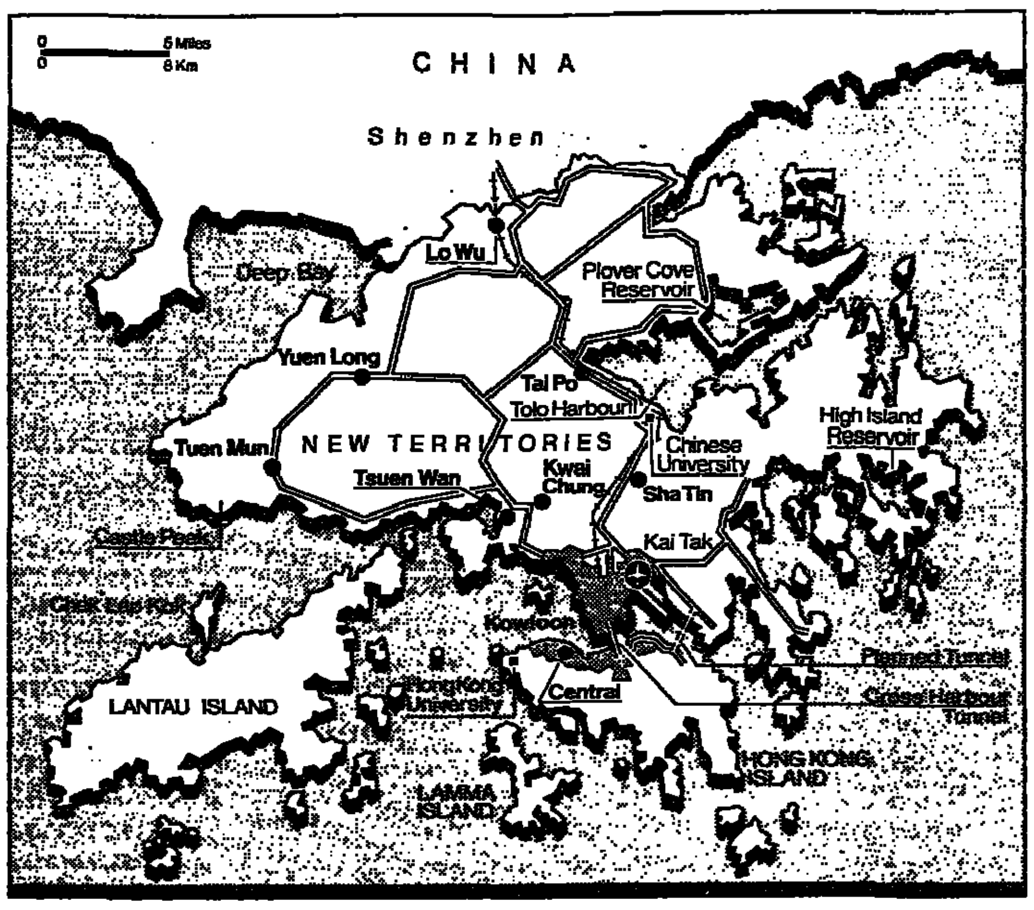
"People always have been moving on, and this will continue. But many people have now been born here, and know they can be economically successful here. They will continue to be committed as long as the economy remains dynamic. Perhaps we are very lucky to find people coming back."

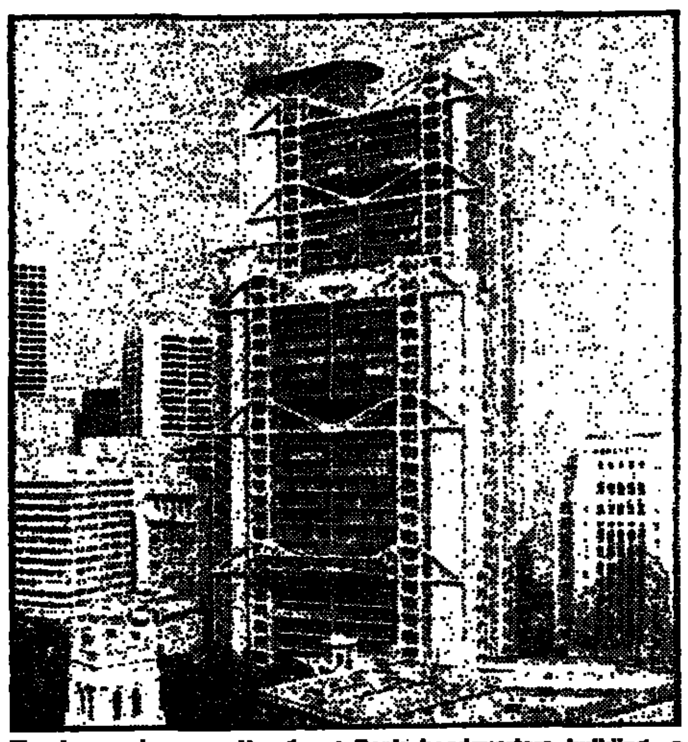
With a tenuous but tantalising mental leap, he draws parallels with his own Scottish countrymen: "Like Hong Kong people, we Scots are constantly emigrating, and we now have Scots all over the world. This creates a general Scots approach to the world economy," he adds mischievously.

He has yet to elaborate what this Scots approach is, but the implication is clearly that Hong Kong people have a similar distinctive approach, and that this is no bad thing. If it makes Sir David feel he is among kindred spirits, then that is probably no bad thing either.

David Dodwell

Sir David Wilson, Hong Kong's 27th Governor. He has spent 30 years studying about Asia, working in the region and being involved in UK policy there.





The impressive new Hongkong Bank headquarters building—a multi-million dollar monument to confidence in the Territory's future. The sentiment would be shared by the equally new, and politically conservative "Group of 71"—see article on page 10.

● Looking towards 1997

Grass roots views

LEE WING TAT is a grass roots representative based on the high rise Shek Lei estate north of Kowloon in the New Territories. He is a member of the local district board, an elected regional councillor and a member of the basic law consultative committee whose views are sought on the new laws being drafted by China for the change of sovereignty in 1997.

Mr Lee believes that by 1997 half the representatives on Hong Kong's legislative council should be directly elected, a quarter should come from the functional constituencies representing professional bodies and businessmen, and a quarter from an electoral college to ensure an additional spread of interests and experience.

But he is not optimistic. He believes it essential that Hong Kong should become highly autonomous by the changeover in order to retain as much political and economic freedom as possible. and the best way to ensure this would be to increase steadily the proportion of directly elected representatives, starting in 1988.

In order to complete the structure by 1994, the last elections ahead of the sovereignty change, he favours 25 per cent directly elected members next year, rising to a third in 1991 and a half in 1994.

But because of the pressures from China, which is strongly opposed to any significant change in political structure before details of the new basic laws are known in 1990, he believes the British and Hong Kong governments will fail to support the early introduction of direct elections.

"The Chinese are very suspicious that the British and Hong Kong governments will put pressure on the people to have direct elections in 1988, and I do not think the government will have the guts to seek the real views of everyone . . . they dare not offend the Chinese."

Although Mr Lee finds that the big majority of his constituents at Kwai Chung, site of Hong Kong's container terminal, have not yet taken much interest in the contents of the government's green paper on political change, he is convinced there is considerable support for direct elections.

"Most of the people of Hong Kong support a significant proportion of direct elections by 1997, yet the government refuses to see this," he says.

He sees as a big danger the increasingly aggressive attempts by China and its supporters to influence public opinion.

"We all know that the Chinese are intervening informally and that the left wing is taking up their case," he says.

"People know that the Chinese are on the way in. They feel the boss isn't the British or Hong Kong governments any more, but the Chinese. So there is a growing tendency to back China on the grounds that this will help them eventually . . . to oppose too openly could be provocative.

"They see a power change coming so they ally with the Chinese. The left learns very fast. They are smart."

Similarly, he finds that the government appointed district officers are losing their influence over local leaders as Chinese influence increases.

"Young professionals are all trying to get some sort of guaranteed exit from Hong Kong through a second passport, and thousands more would leave," he says.

Richard Evans

Among the young there is tremendous keenness to take up all the educational opportunities

Running to stand still

IN ALL the talk about Hong Kong's future, interest is inevitably concentrated on economic and political prospects, but the effectiveness of its education system could prove to be of even greater significance.

For Hong Kong has no natural resources of its own; whatever the future holds politically, it will depend on the application and skills of its workforce to find a niche in world markets between the low cost developing nations and the sophisticated economic superpowers.

"The only way we can maintain prosperity is to make our manpower more valuable so that we can keep our competitive cutting edge," says Sir S. Y. Chung, leading proponent of a third university for Hong Kong, which will concentrate on science and technology.

There is a tremendous craving for self-betterment among the young, with a high take-up of the many night school classes provided in a range of subjects from law and banking to foreign languages and electronics.

Pressures on the system are intense at the tertiary level, with ten times the number of students applying for places at university, polytechnics and technical colleges than there are places.

Expansion has been considerable, with the government doubling its expenditure on education in the last few years, but still the demand surges. More than 30,000 Hong Kong students are now being educated overseas, primarily in Canada, Australia, the US and the UK, a total not far short of those educated at home.

The number of university places is currently around 33,600 and it is planned to expand to 50,000 by 1997. "We have to run to stand still," says Mr Ron Bridge, Secretary for Education.

The competitive element is stressed by Dr Wang Gungwu, recently-appointed vice chancellor of Hong Kong University.

"I know of nowhere else in the world, with the possible exceptions of Japan and Taiwan, where you get this degree of competition," he says.

The education system is dominated by the Government, either through directly controlled government schools or through heavy subsidies to other secondary schools. Education is the biggest item in the annual budget and took 18 per cent of the total last year when HK$126.4m was spent on capital projects and HK$1bn on operational costs.

There is a private sector at the secondary level, catering mainly for the children of foreigners and ex-patriots, but it is small in the overall pattern.

The Government also runs the territory's two universities, one English based on Hong Kong Island and the Chinese University of Hong Kong in the New Territories, two polytechnics and eight technical institutes.

In recent years it has also set up an elaborate system of vocational training to ensure sufficient trained manpower for the industries that are constantly having to go upmarket and become more technically sophisticated to keep ahead of the competition from Taiwan and South Korea.

Hong Kong is a young community and about 27 per cent of its population is at school or kindergarten. There are nine years of free and compulsory education to the age of 15, and subsidised schooling is provided in a continuing programme for 65 per cent of 16 year olds.

With both Cantonese and English in common use in Hong Kong, schools are categorised as Chinese or Anglo Chinese according to the language used. Chinese is the language of instruction in most primary schools, but English tends to take over at the secondary level.

The dual system, complicated by the almost exclusive use of Cantonese in most homes, has led to criticism by some university authorities that the level of proficiency in English is insufficient for many university courses.

Dr Wang and the authorities at HKU, the English-based university, have decided to extend the current three year undergraduate courses, based on the UK system, to four years in order to provide a foundation year. The intention is to make students much more proficient in English before they start their university course proper.

But it is uncertain that the Government will be prepared to given additional funding, as the costs of an extra year at university are six or seven times higher than at school. The university could therefore be faced with the option of climbing down or continuing with its proposal and diverting funds from other areas.

According to Sir S. Y. Chung, the Government is not against a four-year course in principle, but believes that a higher priority should be the expansion of places in tertiary education, including the early launch of the Hong Kong University of Science and Technology, which will also specialise in management studies. The first students are expected to enroll in 1991-92 and there should be 7,000 full time places by the mid-1990s.

The need for more highly trained personnel led to the setting up in 1982 of the Vocational Training Council, which is now responsible for technical education and for all training except in the clothing and construction industries, which run their own schemes based on company levies.

The remaining 19 training boards, covering all Hong Kong's major economic activities including banking, insurance, civil engineering, electronics, shipbuilding, plastics and tourism, are financed by the government. Two large training centre complexes have been built to cater for about 10,000 trainees.

In addition, the eight technical institutes now have 66,000 students (a fulltime equivalent of 25,000) compared with 30,000 (9,500) in 1982.

"The growth of Hong Kong industry and commerce has not been stunted by a great lack of trained labour," says Mr Horace Knight, executive director of the Vocational Training Council.

Hong Kong's educational system, in contrast to its reputation for private enterprise and laissez faire economics, depends greatly on state support. It has been well served at the lower levels, but there are worries at the tertiary level.

Not only is there a question mark over the calibre of students who have difficulty with English, but research facilities have been starved of funds.

Richard Evans


Hong Kong is a young community: 27 per cent of the population is at school

Profile: Dr Wang Gungwu

The hard fight for quality

DR WANG GUNGWU, who was appointed vice chancellor of Hong Kong University (HKU) just 10 months ago, has been plunged immediately into the most contentious issue facing education leaders—language.

There are often contradictory pressures in Hong Kong between fluency in English, which is regarded as essential if Hong Kong is to maintain its astonishing success as a commercial centre, and the desire to teach in Cantonese, the language of the overwhelming majority of the population.


Dr Wang Gungwu, Vice-Chancellor of Hong Kong University: language is the most contentious issue

In addition, there is recognition that fluency in Mandarin will be increasingly necessary to aid communication with the mainland and its leaders as 1997 approaches.

Dr Wang, born in Indonesia and educated in Malaysia and at Nanking University until he was forced to flee from the revolution in 1949, has three primary impressions of education in Hong Kong.

First, the tremendous drive to educate the young, which has led to the emergence of an intensely competitive younger generation. "They cut their teeth on exams," he says.

Second, although it has 75 years of tradition behind it, Dr Wang believes that HKU should be better than it is. This, he feels, is partly because the Government has never encouraged research, arguing it was cheaper to buy new technology on the world market and adapt it to Hong Kong's needs.

Many of the best students go from Hong Kong to the UK, Canada, US and Australia which all have excellent research facilities, and many of them stay.

"The Government's attitude may have been logical but it was short-sighted. In the long run it has weakened the university and meant we have been fighting for quality with our hands tied behind our backs," says Dr Wang.

This view is clearly acknowledged by the Government, at least in part, as some money has been given for the first time for research projects. But strict conditions are attached and the research must produce results within three years and have a practical application. "We are still caught up with a short-term mentality . . . . it is all very 'Hong Kong'."

Third, there is the problem of the complex language and cultural background of Hong Kong which has not existed easily with the Oxbridge examination system on which HKU is based.

"It is a very fine system of education but it depends on a very fine grasp of English. It worked well here as long as there was a highly selective intake, but this is no longer the case. The demands on the children whose English is not good are great, and there is a very high casualty rate."

Apart from the fall-out rate because of language problems there are additional difficulties. The families of professionals and businessmen, whose children used to form the core of the university intake, are looking more and more outside Hong Kong, partly to get the best education for their children and partly to make sure they get a second passport to give them the option of being able to leave Hong Kong in the future.

There is a further twist of the knife in the number of overseas scholarships—well over 100—on offer to the best of the remaining students. So there is a further syphoning off.

"It is a very slippery slope that we have been on for some years and something must be done about it. I hope we get the support we need," says the vice chancellor.

Dr Wang, an historian, did his postgraduate studies at the School of African and Oriental Studies at London and then taught at university in Malaysia for 12 years. He was professor of history at the Research School of Pacific Studies at the Australian National University, Canberra, before arriving in Hong Kong.

Richard Evans

Stronger measures to combat organised crime

The war intensifies

BY INTERNATIONAL standards Hong Kong is a safe place. It has no terrorism and very few muggings or violent demonstrations, but the police do have to cope with a special problem—the triads, or secret societies, who control much of the organised crime.

According to the police there are at least 50 triad groups in Hong Kong, including 10 independent elements within the infamous 14K society. The total triad population is put between 100,000 and 120,000.

Some societies number just a few dozen members and rarely if ever come to the attention of the police, but at the opposite end of the scale are societies that have many thousand members and feature regularly in crime reports.

The triads have been in existence since long before the British arrived in Hong Kong and in the 1960s and 1970s, when the local police force was riddled with corruption and triad influence, the secret societies did more or less as they wished.

The restructured force then moved hard against the societies in the early 1980s and the triads were briefly regarded as a diminishing problem. More recently, the continuing activities of the triads have been acknowledged publicly and there is a concerted attempt under way to diminish their influence.

The traditional areas of triad criminal activity, vice, drug trafficking, illegal gambling and protection rackets, are still the big moneyspinners, and the major problem for the police is the unwillingness of witnesses to come forward to testify.

The gangs have become particularly sophisticated in developing protection rackets against building contractors, and when a contractor refuses to pay up, he finds machinery valued at hundreds of thousands of dollars has been destroyed.

The gang then suggests the contractor should employ watchmen to prevent more damage. When the contractor pays up he finds no watchmen are provided, but the damage ceases.

It is only recently that white collar crimes, such as fraud and counterfeiting, had any triad involvement, but there is now evidence that white collar crimes generally, particularly frauds planned by triad members using corruption and fear, are on the increase.

Organised crime syndicates seek to establish monopolies in both legitimate and semi-legitimate businesses, and this has happened recently in areas like painting and decorating contracts on some housing estates, the illegal diversion of water and electricity supplies to force residents to pay inflated prices, and control of some fish, poultry and vegetable markets, where prices are inflated artificially.

Hong Kong police: backing for draconian measures.

Since publication last year of a wide ranging discussion paper on triads, the government has been implementing some of the options outlined. One of the problems, according to Det Chief Supt Brian Merritt of the organised and serious crimes group, is that triad bosses have become much more sophisticated in their tactics.

Proceeds from drugs, prostitution and gambling are now laundered in legitimate businesses with a high cash turnover like restaurants and clubs. This makes it much harder for the authorities to track down the cash.

The big triad bosses, who run their empires much more loosely than Mafia "godfathers," operate behind a formidable shield of semi-legality, respectability and influence within the community, making them difficult to arraign.

The discussion paper, which provided a fascinating account of the workings of Hong Kong's lurid underworld, proposed numerous options for curbing the influence of the triads, including some contentious ones that would restrict the civil liberties of convicted triad members.

Some of these have had to be shelved because of divided reactions, but in general the public has fully backed proposals to move hard against the triads.

Among the proposals being implemented are much heavier fines and prison sentences for belonging to a triad society, the granting of a partial amnesty to triad members who renounce their membership, protection guarantees for witnesses willing to give evidence in triad-related trials, and the use of one-way mirrors in identification parades.

The more controversial proposals, which are still under discussion, would include banning a convicted triad member from any gambling or vice establishment, automatic games centre, pool hall or martial arts centre.

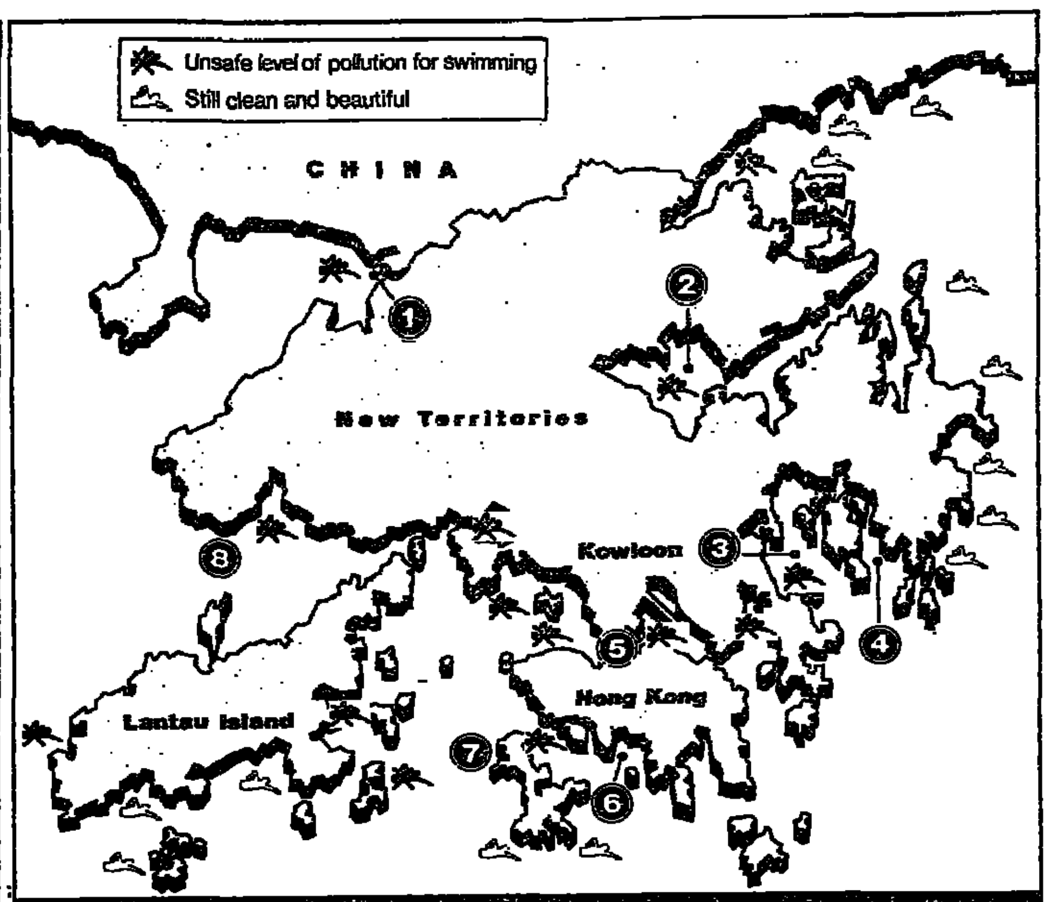
There are also plans to ban the use of radio pagers by triad members on the grounds that they have become an essential tool for criminal operations in gadget-mad Hong Kong.

A probability is that some form of Grand Jury system on US lines will be instituted. The advantages are that it operates in secret and would therefore give protection to witnesses, and it would have the power to subpoena witnesses.

There is also every prospect that legislation along the lines of the US Racketeer Influenced Corrupt Organisations (Rico) statute will be introduced. This would allow the forfeiture of assets where derived from the profits of illegal activities, and it would authorise civil sanctions in cases where proof of criminal activity is difficult to get.

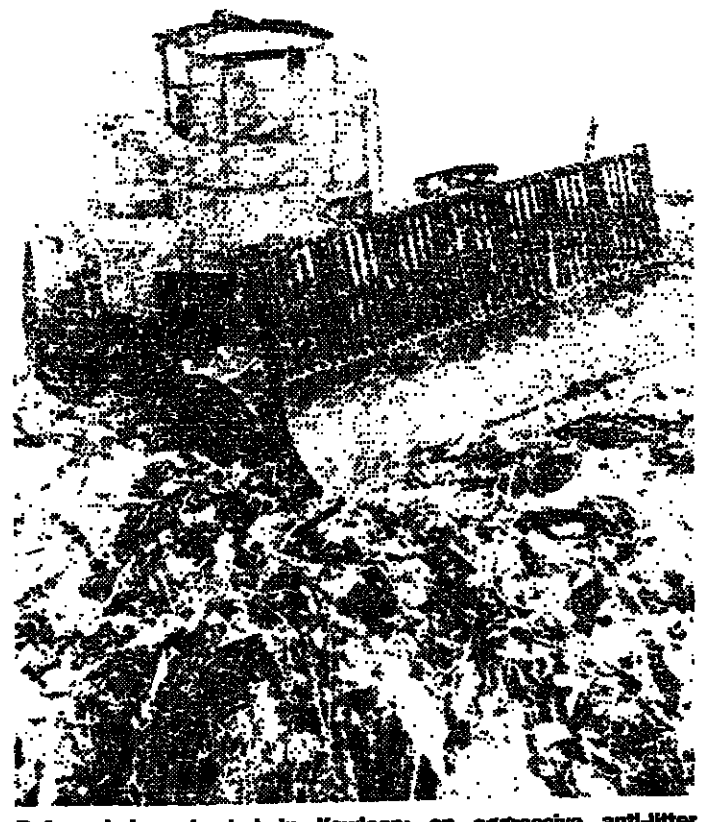
In total, it will add up to a formidable array of new weapons to take on the triads. Det Chief Supt Merritt is convinced that public opinion has changed in recent years to give sufficient backing for draconian measures. But there are worries that any laws that diminish freedoms and individual rights prior to 1997 should be studied with special care, as advantage could be taken of them in later years.

Richard Evans



Pollution black spots

1. Pollution from the Shenzhen River and Yuen Long nullah; mostly pig and poultry wastes.
2. Human sewage, pig and industrial wastes; the situation is made worse by poor currents.
3. Outer waters are threatened by pollution arising from poor sewage treatment, made worse by poor currents.
4. Fairly unpolluted area, but threatened by piecemeal development.
5. Receptacle area, for sewage from 3.7m people and by industrial waste; saved from worse pollution by very good current flow.
6. Various piecemeal developments around Repulse Bay area threaten recreational facilities and resources.
7. Beach area ruined by effluent from power station.
8. Probable outspill of waste materials from pulverised fly ash.



Refuse being shunted in Kowloon: an aggressive anti-litter campaign has been a notable success, but pollution of many kinds has put Hong Kong on "an ecological tightrope," says a report.

Pollution reaches alarming levels

Pressure for more action

"FRIENDS WHO leave Hong Kong tell me they can't sleep for a week because it is so quiet elsewhere . . . it took me a year to get used to the noise here," says Professor John Kleevens, head of the department of community medicine at Hong Kong University.

Noise is just one of the environmental problems that strikes the visitor, although it is by no means the worst. Because of the upsurge of population in a very confined area and the historic lack of controls, Hong Kong is "on an ecological tightrope," according to Dr Stuart Reed, director of environmental protection and the man responsible for meeting the challenge of pollution.

There has always been an immense toleration of pollution in Hong Kong, he says, and until recently there was no great problem. The population hovered around 1m and the fast flowing tides around Hong Kong Island and Kowloon could cope with the industrial, agricultural and human effluent.

But, with a current population up 20 per cent in a decade and approaching 6m and a flourishing industrial and commercial base, the dangers have recently become alarmingly apparent. The policies of non-intervention by the government of a society that has flourished under a *laissez faire* economic system has had to be reversed.

Today, tourists plying between Hong Kong Island and Kowloon on the popular Star Ferry find themselves ploughing through a floating refuse tip, many prime beaches have been declared unsafe, there are "red" chemical tides in the most polluted bay, and clouds of dust rise from scores of construction sites. It is becoming an environmentalist's nightmare.

The most serious pollutants are over 1m tonnes of sewage each day which is pumped into the harbours and seas surrounding Hong Kong, and 2,000 tonnes of pig and poultry manure lumped into its rivers. Air pollution comes from the government's refuse incinerators and from factory chimneys, from the use by industry of cheap, sulphur-rich fuel, and from the very high proportion of diesel vehicles in use—probably the highest in the world.

According to Dr John Hodgkiss, senior lecturer in botany at Hong Kong University, agricultural wastes, mainly pig manure, generate 85 per cent of the pollution load in streams, with sewage contributing 10 per cent and industrial organic wastes the remainder.

"The streams in the New Territories were described in the 1970s as unparalleled in the world in terms of pollution, and there is no evidence that things have improved," he says.

In marine waters, domestic sewage is responsible for 65 per cent of pollution, industrial organic wastes for 20 per cent and agricultural wastes only 15 per cent of the load.

His criticism of the government's philosophy is that it considers the solution to pollution lies in the controlled dumping of wastes rather than dealing with the original sources and causes. Hhe claims that as much as 80 per cent of human waste in Hong Kong undergoes no effective sewage treatment.

Noise pollution is a constant problem, aggravated by the number of construction sites as buildings are replaced by ever taller skyscrapers and tower blocks and as more land is reclaimed from the harbour.

In addition, the design of busy Kai Tak airport, where aircraft fly in low over Kowloon's high density buildings, means maximum noise disturbance. A draft noise control bill was issued in March and this should become law before the end of the year.

Even its critics now accept that the Government has woken up to the problems of pollution but there is a difficult balance to be drawn between the requirements of industry and agriculture and those of the environment.

Dr Reed's Environment Protection Department, for example, has progressed from eight employees when a unit was first set up in 1977, to a current establishment of 507 people. Its role is to monitor pollution levels and to draft legislation, but it is handicapped by having no enforcement role.

Laws to deal with most types of pollution are in place but they are mostly enabling legislation with precise details still to be filled in. New controls on agricultural and toxic waste treatment and disposal facilities are due to be introduced this year.

More worryingly, there is little impact on existing factories and other sources of pollution, including those controlled by the government itself. The argument is that to force old plants to tighten up on pollution control would drive too many out of business.

Instead, the thrust of government policy is to insist that new factories and housing developments are built according to strict standards.

Capital investment in public sector pollution control facilities has grown by over 400 per cent in the last decade—although from an admittedly low base. The public works programme for sewage and sewerage treatment over the next five years totals HK$1.85bn.

So although the environmental scene in Hong Kong is undoubtedly bad because of the lack of facilities devoted to it in the past, there are now some hopeful signs. People's perception of environmental quality is getting much higher—the aggressive anti-litter campaign has been a notable success—and the government is having to meet the pressures with action. It is at last taking the environment and pollution control seriously.

Richard Evans

Housing policy

A subtle shift in aims

TO THOSE who see Hong Kong as the epitome of capitalist *laissez-faire* it may come as a surprise that 45 per cent of its population live in public housing. Only a third of the remaining 55 per cent are owner-occupiers.

For the rest, Hong Kong is a landlord's market with rents which range from HK$55,000 a month for a flat in a desirable area, to HK$2,000 a month for a tenement in Kowloon.

Hong Kong's public housing policy is decided by a housing authority set by an appointed government. In the first post-war decade, the Government was primarily concerned with containing the successive surges of immigration from China which increased the population from 600,000 in 1945 to 5.6m today. The immediate step was to build cheap blocks barely better than the squatter huts and tenements offered by private landlords, but usually cheaper.

Partly as a result of the riots of mid-1960s and partly because of a major fire that destroyed a large squatter area, the Government became aware of the role of housing in maintaining social stability as a result, despite its non-interventionist philosophy, the Government since the early 1970s has been committed to the provision of "affordable and adequate housing for all."

In 1982-83, the year of slump in local property prices, the Government allocated HK$ 4.9bn, 13.8 per cent of the total budget, to housing.

The government's *long-term* housing strategy policy statement, published in April this year, shows that there has been a subtle shift in its aims, dictated largely by economic considerations. The new emphasis is on housing for those most in need, with incentives for those who can afford it to buy their own houses. The project spending on housing in 1987-88 will be 11.8 per cent of the budget, a 2 per cent drop since 1982-83.

At present, 53 per cent of the housing authority's annual capital expenditure comes from the Government, but by 1994 the authority is intended to become self-financing. Some of the extra income, according to the Secretary for Housing, John Todd, will come from domestic and commercial rents, some from a more efficient use of resources.

The housing authority is landlord to 2.7m people. It administers everything from squatter areas to housing built for sale to the public at subsidised prices. Its stock of 116 rental estate varies from substandard and overcrowded blocks to new housing estates incorporating the latest in town planning.

About 45 per cent of its tenants now earn more than the lower income limit imposed upon applicants to the waiting list (HK$4,800 for a family of three). Few pay more than 8-14 per cent of their family income in rent.

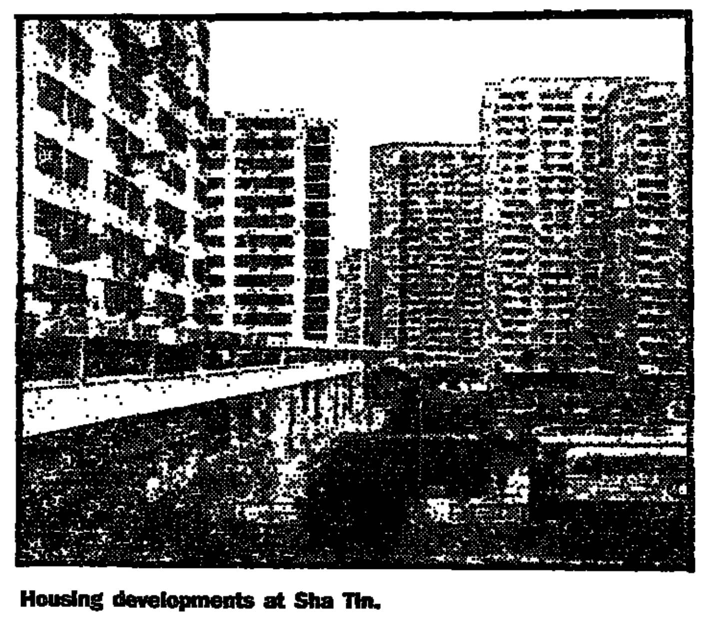
In future, rents will be raised on a means-test basis. Old housing stock is being demolished for redevelopment into modern housing estates or refurbished to provide better accommodation, cheaper maintenance and higher rental income.

Part of the prime urban land obtained from clearances or squatter areas has been released for private development. New estates are being built around commercial centres, with flats let at market rates. The experience of mixing commercial and subsidised accommodation is being further applied in the Home Ownership Scheme (HOS)—Private Sector Participation Scheme (PSPS), introduced in 1978.

Under the Home-Ownership (HOS), the housing authority uses contractors to build flats that are sold at 75 per cent of the current market price, mainly to public tenants, or to private tenants whose family income does not exceed HK$8,500. The purchasers pay 5-10 per cent of the purchase price, with the rest covered by a bank mortgage from one of fifty finance houses involved in the scheme.

The guaranteed loans are usually repaid within less than the 10-25 year allowed. So far, defaults have been ever rarer than non-payments of rent, at present below 1 per cent of the authority's rental income.

The public sector participation scheme contractors submit their own projects and specify the premium they are willing to pay in advance, usually sums of several hundred million dollars. The successful bidder is responsible for everything from the initial design to the final product.



Housing developments at Sha Tin.

In return for the premium and building costs, the company receives payment for all the housing units built and the right to exploit any commercial units on the estate.

The Government subsidy for PSPS units is 30 per cent and there is no shortage of tenders. But even a company such as Shui On, which has built several PSPS projects, has some reservations about the scheme. The property market slump of the early 1980s has left numerous casualties, while the tight margins imposed by the tender competition mean that commercial contracts after seem more attractive. This is especially so, as exploitation of commercial units in new estates is not without risk, and some recent projects have made a loss.

The work of the Housing Authority has undoubtedly improved social conditions and has contributed to the territory's political stability and low labour costs. Few here question its desire to become self-financing. But there is disagreement over the methods it has chosen.

According to April's housing policy statement, the annual building programme of 30,000 public housing units and 10,000 HOS/PSPS units, which has been sustained since 1980, should clear the housing waiting list by 1997. At present, this stands at 170,000 with many more in temporary housing and squatter areas.

Demand for private housing has been rising steadily, with all HOS/PSPS units heavily oversubscribed (up to 15 applicants per unit). The housing policy statement suggests that unless the public housing programme is gradually reduced, private resources will be under-utilised after 1996/7.

The HOS/PSPS programme will play an important part in increasing home ownership among public sector tenants, but it will do little to help those among the most "in need" — low income tenants in the private sector.

It seems unlikely, however, that it will help low-income tenants in the private sector. While prices of average renting properties are the same, or lower now than in 1984, private rents have risen by between 6 and 12 per cent, about 30 per cent of income. Since landlords can still legally evict tenants of property they wish to develop, cheaper housing is giving way to more profitable medium price housing and adding to the public housing waiting list.

In 1982 the private sector built a quarter of the smaller letting units, while the public sector built three quarters. This year the number built by both is almost the same. It is proof that a large stock of subsidised public housing has done little to inhibit the private sector.

The statement's strategy envisages a target of 2,700 people per hectare, four times the density of most inner city housing in Europe. Present rules treat families as single indissoluble units, not allowing for rising rates of divorce.

At a time when most families still have to wait five to seven years to get housed, it is a pity that the desire to reach 1997 unburdened by debt has meant that the government's only real welfare policy is not allowed to expand.

Jana Howlett

Culture and corporate philanthropy

Home of a vibrant arts scene

FUELLED by its thriving economy, Hong Kong has developed into a sophisticated city-state with cultural trappings to match. Whether the Hong Kong Repertory's *Noises Off* in Cantonese, the Ballet Company's *Don Quixote*, or the many orchestras and choirs, the territory is home to a vibrant arts scene embracing both Chinese and Western culture.

The metropolis publicly funds—either wholly or in part—several full-salaried professional companies: the Chinese and Philharmonic orchestras, dance (both traditional and contemporary), repertory theatres and ballet. (Neighbouring Japan, in contrast, maintains few national companies.)

Asia's best international arts festivals are held here. Though the visual arts are less well-catered for, still, more than a dozen museums and galleries provide year-round exhibitions. The Council for the Performing Arts supports a diversity of projects.

Most of the provision of the territory's culture is via the Urban Council whose promotion and subsidising of events ranges from Cantonese opera, folk dance and puppet shows to Alvin Alley and the sculptures of Henry Moore.

The past five years has seen a massive spate of arts building. So many new venues, including the showpiece Academy of the Performing Arts and the new Cultural Complex in Kowloon taking shape on the waterfront opposite the Peninsula and Sheraton hotels, exemplify the public commitment.

Hong Kong University has set up Arts Administration courses. Other go-ahead activities include workshops and master-classes for young musicians by visiting world-class performers and funding for experimental work at the Hong Kong Fringe Club. Total annual expenditure is estimated at between HK$250m and HK$500m.

Any notion of Hong Kong as a cultural desert is now *passé*. As the director of the Arts Centre, Mr Nicholas James, comments: "For all those Hong Kong youngsters out on the streets, there is so much going on that the only decision is *which* door to enter."

But such generous provision for the arts is a recent phenomenon, dating from the mid-seventies when Hong Kong's gradually-increasing prosperity produced its own "cultural revolution." The first international Arts Festival, formation of the Hong Kong Philharmonic Orchestra and appointment of the first Commissioner for Recreation and Culture—all are landmark events in the territory's cultural history.

Until recently, contributions from the private sector were considered a welcome bonus. Now, however, in line with the trend in other advanced countries, and driven by a bulging arts bill plus the reality that with Hong Kong's small population (5.5m), the arts cannot be left to market forces and therefore require substantial subsidy, big business is increasingly being primed to get involved. The talk is of "pluralistic funding."

Hong Kong companies have always done their fair share for charity. Other areas, too, have benefited: education (as typified by businesses' generous response in contributing HK$80m to the Sir Edward Youde Fund in just a few weeks, after the former Governor's death late last year); and sport (the tobacco companies' joint spending of HK$475m during the past three years alone); the Hong Kong Bank's and Cathay Pacific's sponsorship of HK$1m annually each for the Rugby Sevens; or Seiko's HK$3-4m (for their annual super tennis).

The Jockey Club's unique situation ensures donations to recreation and arts so vast (HK$720m and HK$350m respectively in the past 10 years) as to make the organisation in effect an extra arm of the Government.

Nonetheless, in this financial hotbed, corporate giving to the arts has been confined to a few companies, with the average donation £10,000 (compared to £25,000 in the UK) and the total accounting for a mere 5 per cent of arts organisations' annual budgets. Their policies of "corporate citizenship" carried overseas, ensure that American companies are the most forthcoming and numerous.

Chase Manhattan, Citibank, IBM, Mobil, Philip Morris and BJ Reynolds predominate, with annual sums in excess of $HK200,000 not untypical.

American Express $HK2m sponsorship of the 1986 Arts Festival Henry Moore exhibition was, according to the Festival director, Mr Keith Statham, "the biggest-ever single arts sponsorship in Hong Kong."

Most British businesses, on the other hand, pampered by government provision at home and out of touch with the increasing UK trend to sponsorship, do not see why they should sponsor the arts at all. Lacking any company policy, most gestures depend on the goodwill or personal interests of the chairman.

Notable exceptions include British Airways, instrumental (with the Hong Kong Tourist Authority) in setting up the prestigious annual Hong Kong international Arts Festival in 1973—and a long-term patron. According to the Festival's logistics director, Mr Charles Hardy, "the annual contributions would average in the region of £75,000 per year." Other generous British companies include the Hongkong and Standard Chartered banks; BAT; and Cable and Wireless, each annually donating between $HK200,000 and $HK500,000.

With their prestigious arts exhibitions (annual outlay: $HK1.25m) in the Landmark and Exchange Square buildings, Hongkong Land are one of the territory's most visible sponsors.

Local companies Cathay Pacific and DHL exemplify different approaches. Cathay's long-established diversified philanthropic activities (in addition to education and welfare, they subsidise air fares for local and visiting performers) total around $HK3m. DHL, on the other hand, at Chairman Po Chung's initiative are new to arts and along with an annual $HK300,000 for sundry activities, last year made news by the $HK1m to sponsor Hong Kong Philharmonic's tour of China and subsequent funding of young Shanghai violinist, Wang Xiao Dong's, studies at Juilliard Music School in New York.

Generally, though, traditional Chinese companies (Banks of Hang Seng and East Asia excepted) perhaps regard the arts as a frivolous luxury and prefer to give to education.

Local tycoons including shipping magnate, Sir Y. K. Pao, and other powerful business figures, Messrs Li Ka-shing, Henry Fok, Wong Kwang-Cheng, Sir Kenneth Fung, all make headlines with amounts donated from their personal fortunes to the PRC. Between them, they have poured millions of dollars into schools and universities in their Chinese homelands.

The most spectacular gifts have been movie moghul's, Sir Run Run Shaw's annual $HK100m to various Chinese universities. He and Sir Kenneth Fung, however, are exceptional in giving additional "incalculable sums" to Hong Kong's arts.

Prominent also among the territory's benefactors is Lord Kadoorie, whose broad-scale philanthropy has won him honours at home and overseas.

In line with its incursion into the Hong Kong business scene, China, too, is becoming involved. Xinhua News sponsors PRC events overseas while this year's spectacular New Year fireworks display at a cost of $HK1.6m was possible, thanks to China Resources (Holdings).

The most reticent sector of the business community are the Japanese. As elsewhere, with few exceptions (Seiko's past sponsorships of the Fireworks and Canon's recent $HK500,000 endowment to the Arts Centre's School of Photography) their contribution to the cultural life of Hong Kong is negligible. Their unmistakable commercial message, spelt out in the array of neon-lit company names along the Island waterfront, is not lost on local fund-raisers.

After approaching 30 Japanese companies for sums as little as $HK20,000 ("a mere pittance in yen"), one sponsorship manager echoed others' dejection by concluding that asking Japanese companies for support—even for Japanese events—is "not worth the hassle and grief."

It is still early days for arts sponsorship by big business in Hong Kong with in many cases neither side gaining as much as they could.

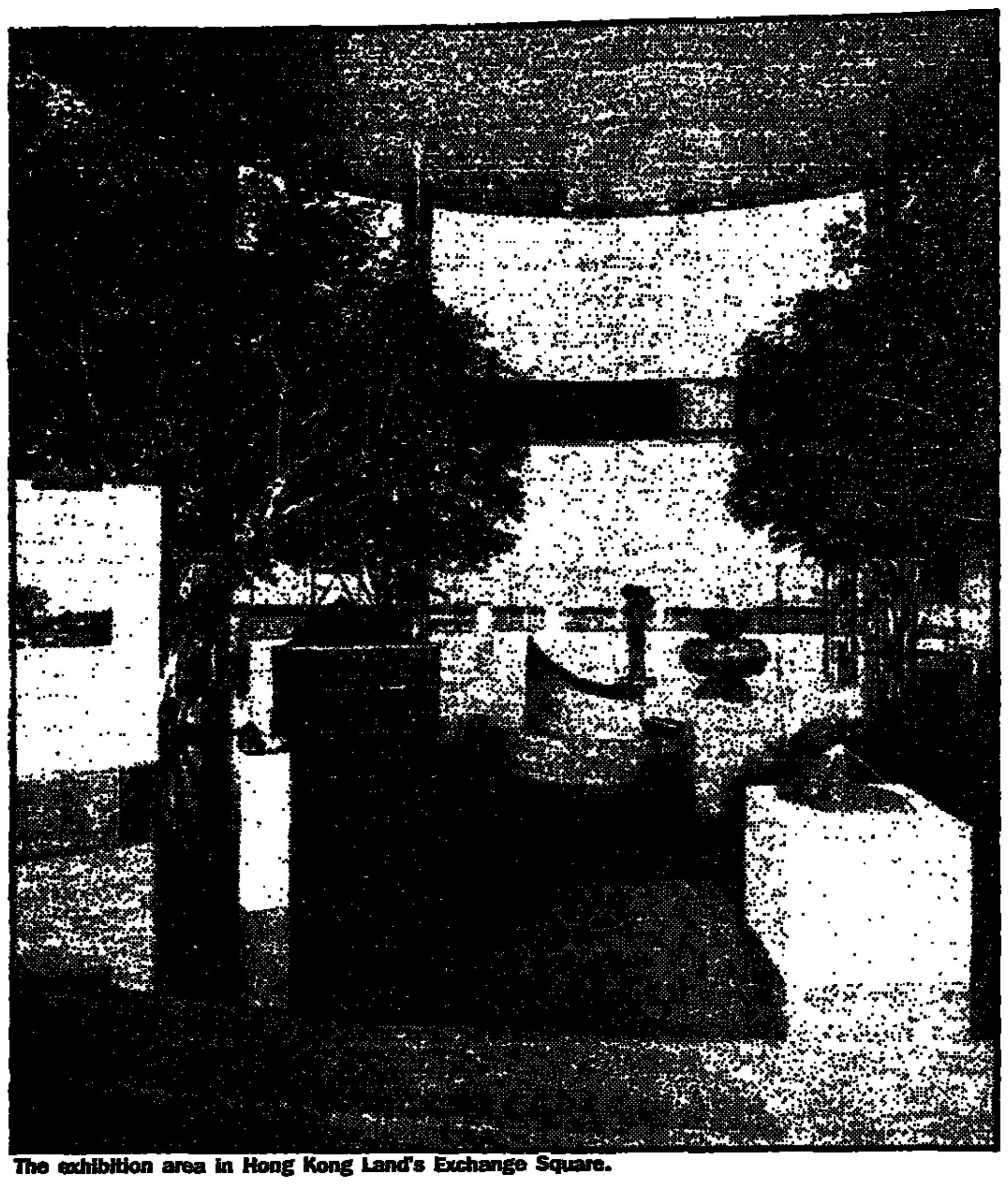
Nonetheless, each year new companies are "putting their toe in and testing the waters," as Mr Peter Quick describes his company's (Kowloon-Canton Railway) recent first-time sponsorship at $HK600,000 of a Hong Kong Philharmonic concert. In an imaginative "match," KCR sponsored the orchestra's first concert at the new Sha Tin Hall beneath KCR's headquarters in the New Territories.

As 1997 approaches and more companies from abroad are setting up shop in Hong Kong to be on the doorstep of China, corporate involvement in the arts will become more important. Mrs Helen Yu, responsible for Culture and Entertainment at the Urban Council, points out that "the highly sophisticated arts venues China will take over will undoubtedly still need substantial financial support from business."

Indeed, this could provide stability during the transition period. Artists ("sensitive, observant and outspoken," according to one worried performing company director) could be the first group at risk in an authoritarian clampdown—despite the "one-country, two-systems" promises.

With the winds of attack on "bourgeois liberalisation" blowing strong out of Peking, a short ten years remain to put in place some infrastructure to preserve the artistic freedom Hong Kong now enjoys. However, arts and business solidly integrated by more corporate support might provide that necessary insurance.

Marie Myerscough



The exhibition area in Hong Kong Land's Exchange Square.

Family profile

Thriving on hope and hard work

THE LI's are the Smiths of Hong Kong. There are the mighty Li's like the millionaire Li Ka-Shing, and the lowly Li's who make daily appearances in the newspapers as *II's—Illegal Immigrants*. But most typical are the middle Li's—men like Mr Li Fai and Mr Li Wing-Keung.

Mr Li Fai and his wife arrived in Hong Kong less than 20 years ago—he from China, she from Laos. They live in a high-rise block in Tuen Mun, 40 minutes from the centre of Kowloon.

Their 400 sq ft flat has two bedrooms and a living room, decorated by an aquarium with four goldfish for luck. The Li's prefer lucky fish to insurance, which, like the making of a will, is considered an ill omen. They relish the privacy of their new flat after years of sharing a Kowloon tenement with another family.

Mr Li Fai works eleven hours, seven days a week, as a cook in a *dim sum* restaurant for HK$3,500 a month, with two free meals a day and 24 days off a year, moving jobs whenever he wants a pay rise.

His wife has been working eleven years in the same shop, because "the company treats us well." She earns under HK$3,000 a month for a 66-hour week, with seven days' paid holiday a year, two free meals a day and up to HK$100 per month for medical expenses.

After the statutory 10 weeks' maternity leave Mrs Li left her child with a childminder. She would like to see more of her daughter, now three, but cannot afford to give up work.

Mr Li Fai and his wife do not expect their life to change much before or after 1997—"some people have to stay—so why not us?" They say that a government provident scheme "would be nice, but then nobody would work."

Most of their money goes on their home-ownership scheme mortgage and transport, but the Lis still manage to save in separate bank accounts. Their main concern is to provide for the education of their daughter, whom they would like to go to university.

The hope of a better life for his children is the main motivation of Mr Li Wing-Keung, proprietor of the Nice Electronic Company. Born in Hong Kong, he is the son of an immigrant who brought up six children in a 100 sq ft room in the Shamshuipo district of Kowloon. Li Wing-Keung, 28, has an encyclopaedic knowledge of computers and a command of English language which many a graduate would envy. Much of his knowledge is self-taught.

Mr Li left school at 18, worked as a salesman, married, and bought a gift shop with help from his in-laws. With 10 per cent of the price as a deposit, he needed no references. Two years later he decided to specialise in computers, a profitable decision "because I had technical knowledge, knew the market, and could explain things to customers."

He and his wife employ four staff, selling, installing and servicing computers 12 hours a day, seven days a week. Their joint income is about HK$11,000 a month.

Two years ago they moved from public housing to a 380 sq ft flat in Shatin New Town. About 25 per cent of their earnings go on the mortgage, 30 per cent on food, 2 per cent on gas and electricity.

Mr Li keeps his savings in a bank, earning 5 per cent interest, but "safer than the stock market." He considers his tax bill is not onerous, and is glad that it helps fund public housing.

Mr Li Wing-Keung expects to do well in business, but is worried about 1997, and would consider selling up if he was offered a good job in Australia.

"At best, nothing will change," he said: "at worst we will have complete control by the Chinese Government."

Jana Howlett

Imaginative proposals for the development of a massive new infrastructure project are now before the Government

Key decisions awaited

RECONCILING THE principle of balanced budgets with the development of an efficient and integrated infrastructure has never been easy for the Hong Kong Government's planners.

But there have been only six (modest) budget deficits during the last 40 years, and during that time a carefully planned, mostly efficient, and extremely complex infrastructure has evolved. It keeps 5.5m people on the move, provides 47 per cent of them with public housing, and boasts the second-busiest container port in the world.

Infrastructure development has been aided by what some would say is a cosy relationship between government and private sector. Gas, electricity, and telephone services are all provided by private concerns under schemes of control that allow *them a permitted* return on net fixed assets.

The private sector has also been called on to undertake infrastructure projects such as building Hong Kong's cross-harbour tunnels.

There are few readily identifiable flaws in the overall infrastructure. Critics nevertheless argue *that the Government has a* piecemeal approach that has hindered the development of a truly *intermodal* transport network.

That criticism was brought sharply into focus late last year when a consortium led by Mr Gordon Wu's Hopewell Holdings put forward an imaginative proposal for the development of a massive and strategic infrastructure project that would include the new port facilities, a replacement airport, a highway linking the territory with China, housing for some 200,000 people, and other related infrastructure on large tracts of reclaimed land west of Hong Kong island.

Mr Stewart Elliott, Hopewell's executive director, says: "They do not have a complete, co-ordinated group in position to handle all facets of the infrastructure. They have all done their own bit in isolation and then tried to join it together."

Mr Wu's proposal, however, highlights the multitude of con*siderations facing government* for every strategic planning decision that is made. The remaining lifespan of the congested, one-runway Kai Tak Airport is now being studied in detail, but an earlier government study concluded that Chek Lap Kok, on the western side of Lantau Island, would be its best location.

Viewpoint

Mr Peter Johnson, Deputy Secretary for Transport, says Mr Wu's proposed highway, linking the replacement airport to China, does not serve the needs of the northwest new territories as efficiently as a proposed "Route X," which would be linked to the New Territories' *strategic* circular road.

He refers to Mr Wu's proposal as "a single-purpose alignment," designed to feed traffic *on to* a highway which Mr Wu plans between Hong Kong's land border with China and Guangzhou (Canton).

Port facilities proposed by Mr Wu are being carefully considered as an alternative to siting them on reclaimed land off Stonecutters' Island, off western Kowloon, as recommended in an earlier feasibility study, but there are again numerous objections that can be made to Mr Wu's proposal.

Ever mindful of balanced budgets, the Government clearly does not want to look a gift-horse in the mouth. At the same time, however, it feels successful long-term planning is embodied in careful, balanced decisions that are impervious to the euphoria of the moment.

The Government's compromise appears to be to examine carefully the overlap between existing government plans and *Mr Wu's* proposal. *While* much has been made of the consortium's claim that it can provide the whole package for HK$25bn — substantially less than earlier government estimates for a replacement airport — government officials say price will only become relevant when it is decided that the project is genuinely needed.

One senior government official commented: "The question now is not whether it's cheaper, but whether and when we need it, and then where we need it."

Having said that, the Government is also well aware that if the project runs into difficulties, it will be left with the problem of picking up the pieces. It will want assurances that there is no such possibility, but there is no realistic hope that these will be copper-bottomed.

Much now depends on a study into the impact that land reclamation in Hong Kong's inner harbour will have on water quality in the harbour. This study is due to be complete in the middle of 1988, and whatever the outcome, it is unlikely that Mr Wu will get the early decision he seeks. Some officials indicate that *decisions* are unlikely for at least two years.

Mr Wu's proposal has, however, inadvertently, pinpointed the fact that Hong Kong does not have a team of planners in place to handle such wide-ranging infrastructure developments. The shortcomings of this have been revealed in some departmental feasibility studies.

For example, a feasibility study on future port development had chosen Stonecutters' Island as the best location for new port development, because it had assumed that development of Lantao Island was unlikely because there were no plans to build a road linking the Hong Kong mainland to Lantau.

However, government departments do take into consideration plans for overall development of the infrastructure, and the strategic planning unit is there specifically to oversee broad long-term plans. Mr Elliott claims—and others appear to agree—that the Government responded very quickly to Hopewell's integrated proposal, immediately setting up a high-level working group to study it in detail. Other criticisms of the quality of Government's strategic planning appear to be based on short surges of demand that are difficult *to project* accurately.

For example, port capacity is now stretched due to annual growth rates in excess of 20 per cent during the last two years. Some say that indicates poor forward planning, but as Mr Gerry Higginson, Director of Marine, says: "If you plan for 20 per cent, and growth drops to four per cent, a lot of operators *are going to* lose a lot of money. We're caught once again between massive short-term demand, which we have to deal with, and the need to take a sensible, long-term strategic look."

He also points out that projections are made after substantial input from the private sector. They too, have been surprised by the high growth rates, he says.

Another common criticism is that government planners have taken insufficient account of China's burgeoning international trade, and the impact that this has had on Hong Kong's role as an entrepot. Mr Higginson says: "We do try to assess the China dimension, but it's difficult to reach firm conclusions."

Trade Impact

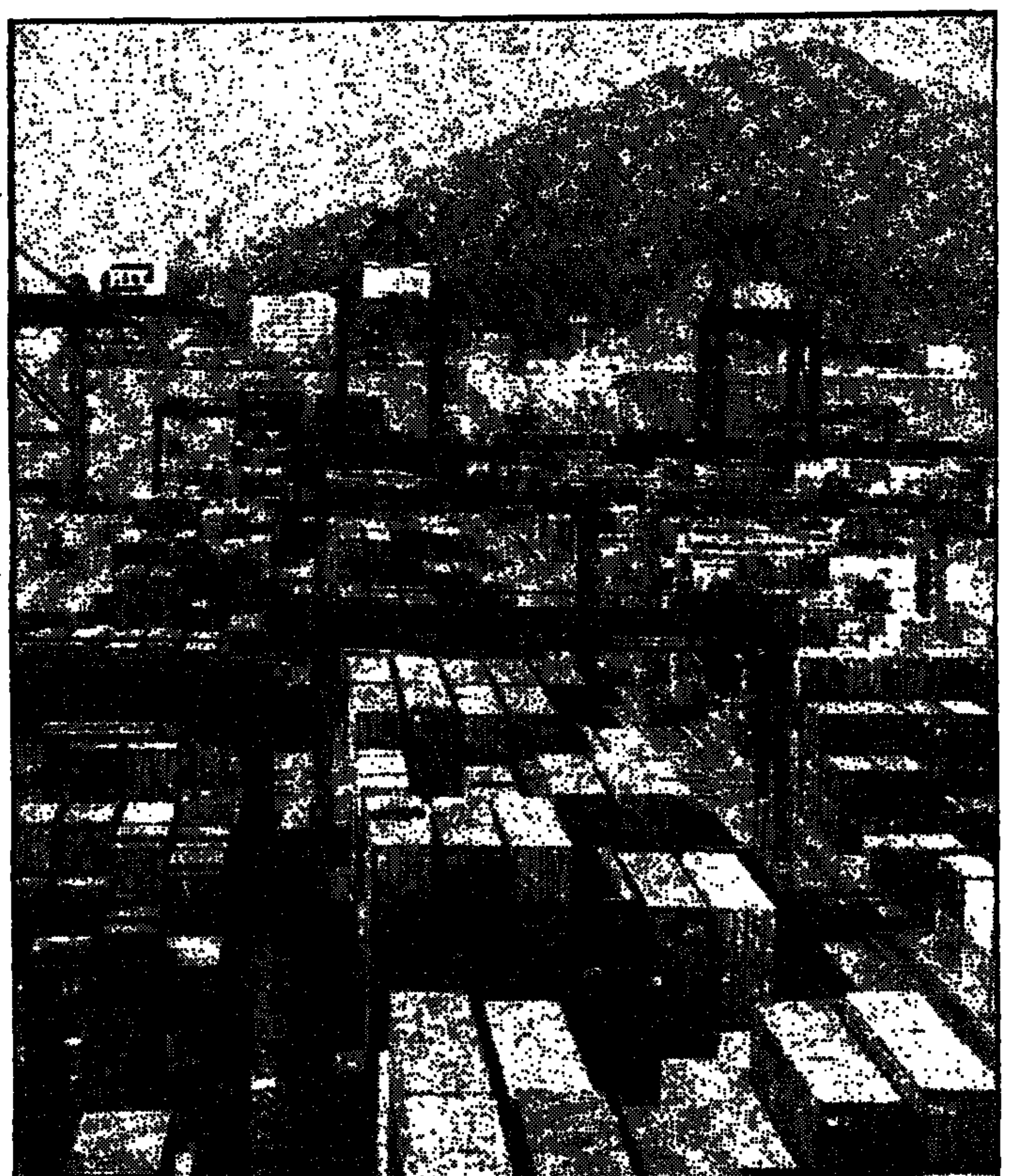
He adds that current development of new ports and port facilities in China might result in more traffic by-passing Hong Kong—but on the other hand, it might not. Even if it does, it would be virtually impossible to predict accurately how soon, and at what pace, this would happen.

Meanwhile, substantial additional capacity is being added to the Kwai Chung container port, which now has capacity for 2.2m TEUS (20-foot equivalent units). The three-berth terminal six is now under construction, with the first berth coming on line by the end of next year and the remaining *two in 1989.* It will add nearly 23 per cent to current capacity.

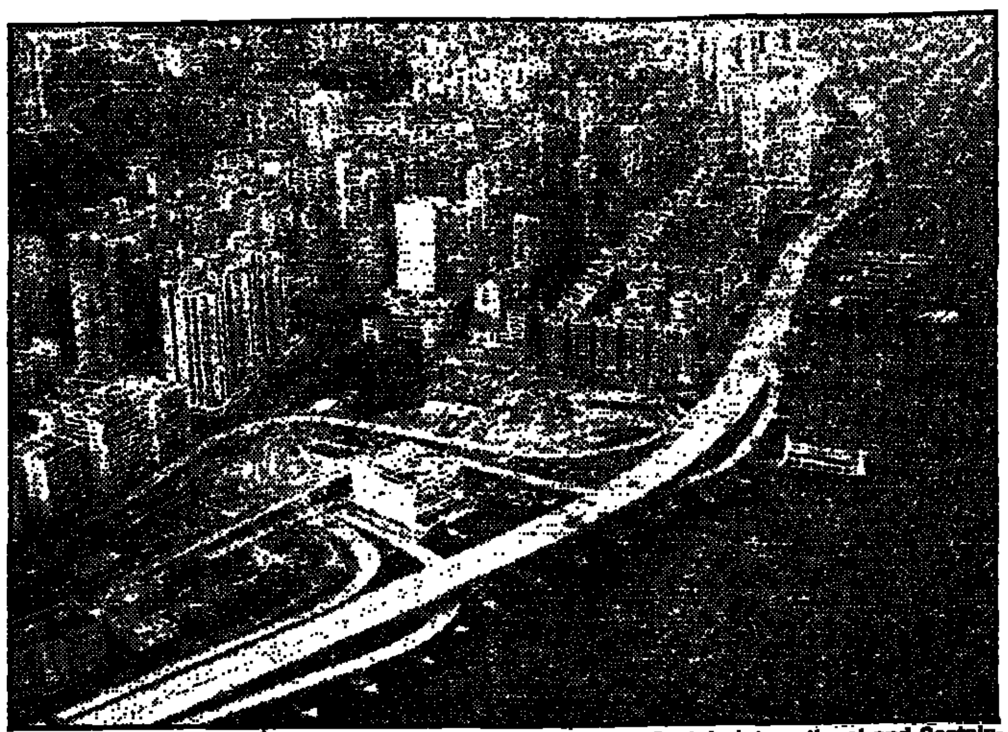
Continued high demand means also that tenders for the construction *of* terminal seven *will* be awarded early next year. Also a three-berth facility, *it* will add a further 36 per cent to existing capacity and could be online by 1990.

Mr Higginson says that a decision on further port development will have to be made by the end of next year.

Kevin Hamlin



Kwai Chung Container Terminal, the second busiest of its kind in the world, after Rotterdam, having overtaken New York. *Substantial additional capacity is now being added to Kwai Chung.*



Hong Kong Island's Eastern Corridor—a joint venture between Costain International and Costain-Pearson Bridge. Hong Kong has one of the world's most densely-used road networks.

Road network projects

Unlocking the snarl-ups

LESS THAN a half of the territory's 1,345 kilometres of roads, those serving the island and the Kowloon Peninsula, struggles daily to cope with 7m public transport trips. There are nearly 267,000 vehicles on what is one of the world's most densely-used road networks.

"Given the physical circumstances of Hong Kong, you could never build sufficient road space to transport everybody by road, it would be environmentally and economically impossible," says Mr Philip Johnson, Deputy Secretary for Transport.

It is not surprising, therefore, that crude financial measures have been used to control vehicle ownership. Road taxes are among the highest in the world, and were sufficent disincentive to induce a 3.7 per cent fall in private cars last year, to 139,321.

Despite that, planners are kept in overdrive, building roads to cope with the ever-growing demand overall, as registered vehicles increased 1.5 per cent last year to 266,933. There are currently some 40 highway projects under construction, estimated at a value of over HK$3.53bn, and another 80 projects are planned. There are additional outstanding commitments of HK$2.55bn.

In the year to March 1988, expenditure on roads is expected to be in the region of HK$910m, up 30 per cent on the previous year. Around 70 per cent of that is for on-going projects, while the remainder will be allocated to new contracts during the year. Tenders will be invited for 38 contracts, estimated at a total value of some HK$1.04bn. during the year.

Two major snarl-ups affecting the road system are at the Cross-Harbour Tunnel and at Lion Rock tunnel, which links urban Kowloon with the New Territories. Moves are afoot to relieve pressure on both.

The second cross-harbour tunnel, called the Eastern Harbour Crossing, is due to open in early 1990, and Tate's Cairn Tunnel, for which tender documents are now being prepared, is due in 1992. The Government says five private consortiums have shown interest in the project.

The Cross-Harbour Tunnel, opened in 1972, is the world's busiest four-line tunnel, with more than 110,000 vehicles a day using it in the latter part of last year. Government estimates that the HK$3.4bn Eastern Harbour Crossing, being built by a consortium led by the Japanese construction company, Kumugai Gumi, could initially take up to 35 per cent of cross-harbour traffic.

The HK$1.3bn-HK$1.5bn Tate's Cairn tunnel—due for completion in 1992—will provide relief for the Lion Rock tunnel, which had an average of 79,000 vehicles using it daily last year.

Apart from the two major tunnel developments, other significant projects are the final phases of the strategic road network. The final section of New Territories circular road, linking Au Tau and Fanling, is under construction, with completion scheduled for 1991.

The last leg of the spectacular Island Eastern Corridor, which runs along the northeast water front of Hong Kong Island, got underway last month and should be operational in tandem with the Eastern Harbour crossing. The remaining link is between Shau Kei Wan and Chai Wan, and will cost HK$184m. Work on an expressway linking Sha Tin to Tsuen Wan is now underway and should be finished by the end of the decade.

Another important development is the construction of a 1.8 km bridge at Lok Ma Chau, on the China border, for HK$252m. The Lok Ma Chau link, which should be completed late next year, will become the third border crossing.

A key part of future planning for China traffic is Route X, which will most probably link Tsuen Wan to Yuen Long, from where the new territories circular road would carry China-bound traffic. A detailed feasibility study, which will decide on the road's precise alignment, got underway recently. Its conclusions should be known by the end of the year. The study will also look at the possibility of extending Route X on to Lantao Island, as proposed by Mr Gordon Wu's consortium. Government feels the road is needed by 1996-97, though Mr Wu proposes completing his version by 1992.

Critics says that the Government has been slow to respond to increasing vehicular traffic to and from China, an increase of nearly 50 per cent to 7.998 vehicles a day by late last year. Dr Victor Sit, lecturer in geography at the University of Hong Kong, says: "The speed of development has not been satisfactory. For example, the Chinese proposed the opening of the third cross-border checkpoint five years ago, but serious con*sideration was only given to* it at least two years after."

Dr Sit says planners failed to take sufficient account of external factors, but he also sees political considerations.

Mr Johnson, however, says that "we are satisfied that the three crossings will provide sufficient capacity to take us through until the end of the century. The existing and planned *strategic* road *network* is sufficient to absorb the traffic that will be produced by those crossings."

The government has not had an easy ride controlling vehicular traffic. Its attempt to introduce electronic road pricing (ERP), a system which charges vehicles for using busy roads at peak periods through electronic signals between road and vehicle, was placed on the back burner *late in 1985 after foundering* on strong public and political opposition.

Opponents of the scheme argued that it could be used as a form of surveillance, and was an unacceptable intrusion into privacy. ERP also has opponents within government, but few people argue that it is not the most efficient and equitable way of controlling the use of roads.

In February, Mr Peter Leeds, then-transport commissioner, said ERP could ultimately be the only solution to congestion on roads.

Kevin Hamlin

Airport development and aviation

Mr Wu stuns the planners

TO SOME people in Hong Kong, Mr Gordon Wu, chairman of the Hopewell Holdings development concern, is a brilliant visionary. To others he is a hopeless eccentric. But few would deny that his proposal for a new HK$25bn airport to replace the territory's cramped and crowded Kai Tak has forced the Government to face up to one of the most awkward decisions that will confront it between now and 1997 when Hong Kong reverts to China.

Mr Wu's idea, unveiled in January, arose out of proposals to extend the highway he is building between Hong Kong and Guangzhou (Canton). The extension would sweep through the New Territories to Lantau and Hongkong Islands to which it would be linked by a tunnel and a series of bridges.

It would include new port facilities in Hong Kong harbour. The idea of an airport built on reclaimed land off the Western coast of Lantau came almost as an afterthought.

In the best tradition of Hong Kong it was offered as a purely private sector venture that would cost the taxpayer nothing. From the outset, Mr Wu had the *support* of another leading businessman, Mr Li Ka-Shing; others quickly sought to join.

To many in Hong Kong there could scarcely be a better way of demonstrating confidence in the future of the territory after 1997. Yet the proposal has thrown government planners into disarray.

It is painfully evident that Kai Tak's days are numbered, though precisely how numbered remains a *matter of* considerable debate. The present airport lies in the middle of a built-up area. It is difficult to fly into, noisy and limited to day-time flying.

Short of a major harbour infill there is also little room for further development there. Yet it is also an extraordinary stroke of bad luck for the Government that this realisation should coincide with the end of British rule. Whatever decision it makes is bound to be complicated by the delicate course of Sino-British politics.

Earlier studies commissioned by the Government have suggested that Kai Tak's capacity could be stretched to make it last into the next century. It had earlier rejected a similar proposal to that of Mr Wu on grounds of cost which it is estimated at HK$40bn.

Now Mr Wu is offering an airport and other facilities as well for less than the Government previously estimated, forcing it to review the position.

Among its worries are that Mr Wu's scheme is simply too good to be true. He says that if the decision to go ahead were made quickly the airport could be operational by 1992. Officials worry about whether this schedule could be met in practice and that cost overruns could scupper the project once it started.

Privately, some argue that Mr *Wu's scheme is designed* to make commercial capital out of the Guangzhou road scheme. They suspect that scheme may not be commercially viable in its own right, although this is something Hopewell vehemently denies.

There is no denying that Mr Wu's proposal would have a major impact on Hong Kong's infrastructure and its economy as well. If launched, it is widely seen as the last major project that would be undertaken in Hong Kong before the end of British rule. It would require close Government involvement in both planning and approval. Instinctively the Government mistrusts it, and yet to reject it out of hand would be looking a gift horse in the mouth.

While the rest of the Hong Kong economy thus beavers away as if unaware of 1997, aviation policy has thus already *become sucked into the debate* about the territory's long term future, and at the moment it is still uncertain which way the dice will fall.

The Government itself has chosen to play for time. It is commissioning further research into the potential of Kai Tak which will take until next year and a final decision on a new airport still looks like being a matter of years ahead.

On paper at least, this is the most pragmatic option. China has promised that the territory's economic system will be left intact for 50 years after 1997, and official policy is that it should be handed over with its infrastructure intact and working. In theory there is thus nothing wrong about waiting to decide; in practice it is a big dilemma.

To reject the scheme out of hand could be seen as a gesture of lack of confidence in the future. To accept it involves the economic risk that things might *go wrong in mid-stream, forcing* the Government to pick up a major tab in its last few years in control.

To delay too long might mean a late discovery that Hong Kong badly *needs a new airport after* all, but by then private sector confidence might not be sufficient to come up with the finance. There could scarcely be a better example of how the choices facing the colonial administration outside the immediate realm of politics are starting to be complicated by the approach of 1997.

Meanwhile, the continued push by Dragonair to establish itself as the territory's second local air line is another thorn in the Government's side.

Dragonair was founded in 1985 with mainland Chinese backing by a group of local businessmen who wanted a truly local airline that could *serve as the territory's flag* carrier after 1997. Cathay Pacific, which holds that position at present, is seen by some in the local Chinese community as a basically British affair.

Though nearly a quarter of its shares were floated on the local stock market last year, Cathay is still majority-owned by the Swire group. For it to continue as the flag carrier after 1997 might be seen as an anomaly.

Yet it would be hard for the Government to dislodge an established carrier even if it wanted to. While Cathay is making profits, Dragonair continues in the red, facing an uphill battle to gain acceptance.

After an acrimonious fight with Cathay, it was denied the right to fly to the UK and at present is confined to regional centres in China and Japan and to flights to Thailand.

Critics of Dragonair in the aviation industry say it has made its task unnecessarily hard for itself with a muddled *strategy for growth and poorly* prepared route applications. This has made it easier for Cathay to hold on to its established routes under the Government's one airline-one route policy. Yet Dragonair, whose Chairman is the shipping magnate Sir Y. K. Pao, is not likely to accept defeat that easily.

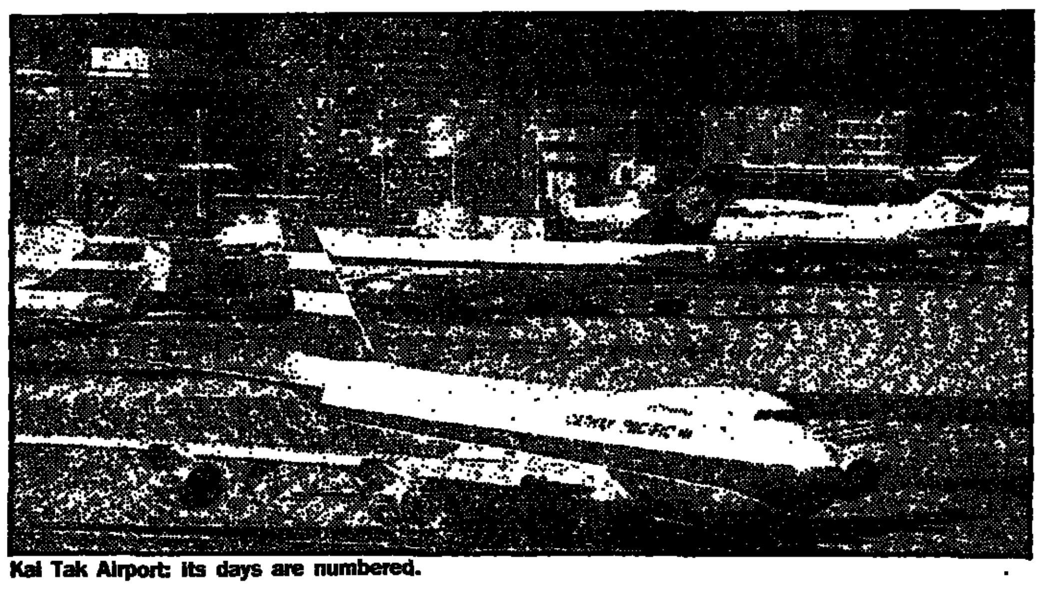
Sir Y. K. Pao's family interests hold 35 per cent of Dragonair. Among other shareholders is *HongKong Macau International* Investment with 25 per cent whose chairman is Mr Chao Kuang-piu, the local textiles magnate.

Another shareholder is Mr Li Ka-Shing's Hutchison International, while mainland China has an indirect stake of some 7 per cent. Though small at present, the airline has definite plans for future expansion and late last year ordered two McDonnell Douglas MD-11 aircraft for delivery in 1992 that will add to its fleet of three Boeing 737-200 planes.

"We don't want to be the airline," says Mr Stephen Miller, general manager. "We just want to be an airline with equal opportunity. We feel there is no justification to government aviation policy."

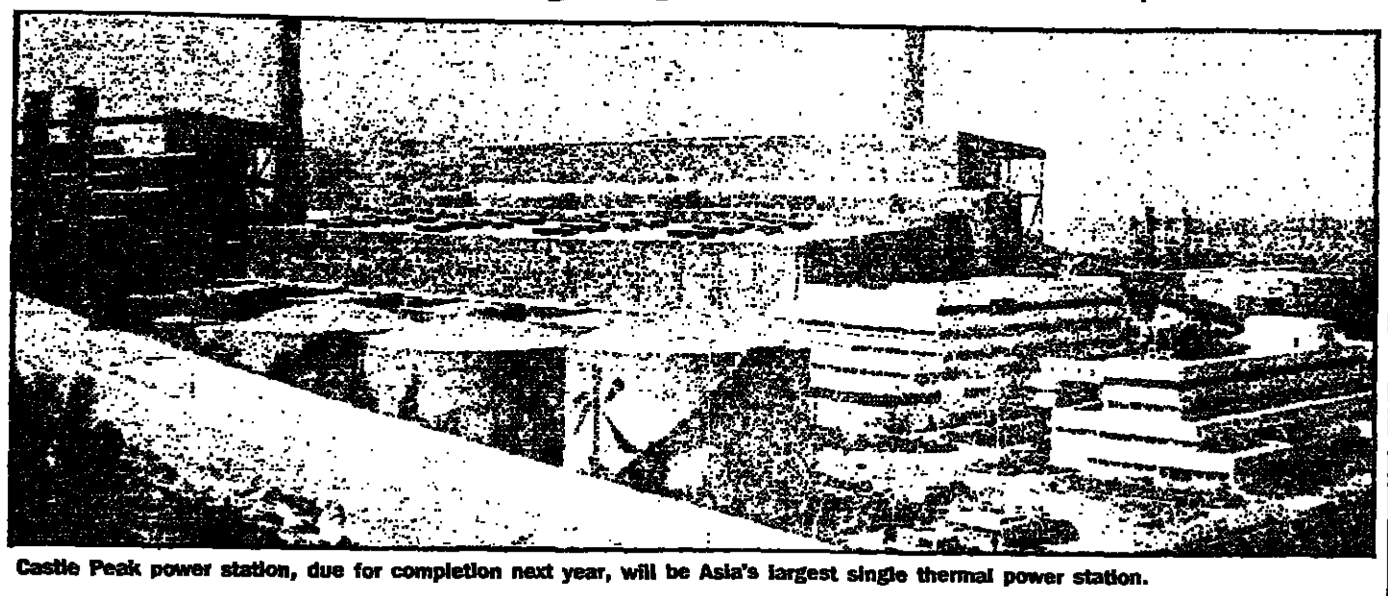
Clearly, Dragonair intends to continue testing that policy in the years ahead and the Government will be in the unenviable position of having to arbitrate with at least half an eye on China.

Peter Montagnon



Kai Tak Airport: its days are numbered.

Hong Kong's Schemes of Control—private sector monopolies with an important difference . . .



Castle Peak power station, due for completion next year, will be Asia's largest single thermal power station.

Profile: China Light and Power

Two decades of growth

"IF A scheme of control allows both consumers and shareholders to be happy, then you can be sure that we are happy," commented Mr Bill Stones, chief executive of China Light and Power, the larger of Hong Kong's two electricity supply companies.

China Light, controlled by the family of Lord Kadoorie for over 80 years, agreed Hong Kong's first scheme of control in 1964. At the time, China Light was in a frail state. It had made no dividend payments for some years, and was in no condition to make the substantial investments that appeared necessary if growing demand for electricity in Kowloon and the New Territories was to be met.

When the decision was made to establish a scheme of control, it was the Government's third choice. A commission of inquiry set up in 1959 had recommended nationalisation. The Government then decided however to press China Light to amalgamate with its competitor, HongKong Electric, to form a single monopoly supplier.

Both companies baulked at the idea. At the same time, China Light had been in discussion with Esso on building a new power station on Tsingyi island.

"China Light came to the government and said that if they were to put so much money into a new power station, then they needed some assurances on how to fund it and remain viable," recalls Mr Peter Winder, who today monitors all of the territory's scheme of control.

"The market was booming, particularly in the manufacturing sector, and we couldn't meet demand for power with existing supply," he added.

A scheme of control emerged as the only mutually acceptable route forward. The government gave the power company a guarantee of an annual permitted return on assets of 15 per cent, at the same time demanding the right to approve any tarriff increases.

This scheme, renewed in 1979 when China Light was laying plans for the new Castle Peak power station, laid the ground for two decades of powerful growth. It enabled the group to keep pace with Hong Kong's hectic economic growth, to provide electricity more cheaply than almost anywhere else in Asia, and at the same time provided the group with an enviable growth and profits record.

Today, the statistics speak for themselves. The company now serves 1.3 million customers, compared with fewer than 800,000 in 1977. While installed capacity has risen from 2,212MW in 1977 to 4,361MW today, sales have grown from 5.8mkWh to 13.8mkWh.

Net assets of the group have grown by more than ten fold in the same period, from HK$1.7bn to HK$19.4bn. Between 1985 and 1986 alone, group turnover rose from HK$6.86bn to HK$7.54bn, with after-tax profits up from HK$1.4bn to HK$1.94bn.

Meanwhile, electricity charges have fallen not just in real terms, but in nominal terms, with charges 4 cents per unit lower today than they were in 1983.

Castle Peak power station, the last units of which should be complete early next year, will be Asia's largest single thermal power plant. Its completion not only leaves the group with a comfortable 34 per cent reserve capacity, but enables it to sell substantial quantities of electricity over the Chinese border. The group last year earned almost HK$450m from such sales.

To ensure that China Light does not abuse its monopoly position, or attempt to "rig the figures" to inflate profits, the government has occasional external checks by auditing and consultancy groups like Ernst and Whinney and Burns and Rowe.

Ms Anson Chan, the government's recently appointed Economic Secretary, has few reservations about the way the scheme has worked: "Customers get reliable service when they want it, and at a reasonable cost. Shareholders get a reasonable return on their investment, and have been encouraged to invest. The scheme involves minimal government interference. It really appears to work well in terms of our stated objectives."

David Dodwell

The ad hoc approach works

SCHEMES of control may have been an American invention, but they have found a natural home in Hong Kong, where a government committed to non-intervention has been only too happy to allow private sector companies to do what in many countries is done by nationalised corporations.

The odd consequence of this is that some of Hong Kong's most powerful and profitable corporations owe next to nothing to Milton Friedman's free market utopia, instead growing fat on guaranteed profits earned from quasi-monopolies.

"Our general principle is unquestionably non-interference," says Ms Anson Chan, newly appointed Secretary for Economic services: "But in the case of public utilities, because they enjoy near monopolies or provide essential services to the public, the government has a duty to have a certain measure of control."

Ms Anson Chan: The Government has a duty to have a certain measure of control.

Since the first scheme was introduced in 1964—an agreement with the electric power company, China Light and Power—the government has drawn up schemes with the other power company—HongKong Electric, with the two telecommunications groups Cable and Wireless and HongKong Telephone, the territory's two bus companies, and two airport-based groups.

In addition, there are non-scheme agreements with entities like the Cross Harbour Tunnel Company, the Peak Tram and ferry companies like Hongkong Yaumati Ferries and the Star ferry, which fix prices and enforce performance standards.

Mr Peter Winder, who is responsible in the Hong Kong government for monitoring the schemes, openly admits that there has never been a single policy or formula for setting them up: "There has been no uniformity of approach," he says: "Government tends to rely on ad hoc-ery."

Keenly aware of occasional complaints about potential abuse of monopoly positions, he adds: "If people say the schemes are over-generous, then it is because they were the best that could be negotiated with arrangements that already existed.

"We had to negotiate arrangements from a position of weakness, and terms were very often the best we could persuade the companies to live with."

It would be easy to overstate this case, however, since schemes were often in fact the product of crisis, or sudden massive investment needs. China Light's own scheme is a good case in point, agreed at a time when major new power plants had to be built. As Mr Bill Stones, China Light's managing director, noted: "Who is going to build a Castle Peak power station, with an overall cost of HK$20bn, unless there is an assurance that there is going to be a return on investment?"

Another case is the bus companies, pressed to agree schemes after years of underinvestment had left them with old and ill-maintained buses, or HongKong Telephone, which caused public uproar when it called for a 70 per cent hike in charges to address long-overdue investment needs.

In the absence of a single formula, the government has nevertheless drawn up guidelines for its schemes of control, in which it says the government's overall responsibility "is to ensure the reliable provision of utility services at a reasonable price to the consumers for what is usually to them an essential item of service."

"Where the private sector can provide utility services, it should be allowed to do so, and government interference should be kept to a minimum," the guidelines say, adding nevertheless that some control is necessary "so that these private companies, which normally operate monopolies or quasi monopolies, cannot exploit their special position at the expense of the consumer."

This leaves the government with five overall objectives:

- To ensure a reliable service
- To establish reasonable prices
- To ensure shareholders get a reasonable return on their investment, at the same time remaining keen to reinvest, and to compete successfully in the market for investments
- To ensure the company remains financially strong
- To keep government interference to the minimum with no direct financial contribution from government.

Against the advantages of operating a monopoly, the government recognises that diversification can be limited by a scheme of control, that a company normally has to commit itself to unprofitable as well as profitable parts of its business, and may have to make major long-term financial commitments to meet future demand.

"We are protecting the public, in that we put requirements on companies to provide services that they probably wouldn't provide if they were taking account of purely commercial factors," says Peter Winder.

The end result has on the whole been remarkably successful. Hong Kong people—and the territory's fast growing manufacturing industries—have never been short of power, and buy electricity more cheaply than almost anywhere else in Asia. Charges are lower in nominal as well as real terms today than they were in 1983, with the power companies signalling no rate increases this year or next.

Hong Kong people also have one of the world's most efficient telephone services. Local charges remain free. About 86 per cent of all new telephones are installed within two days. Almost half of the lines now go through digital exchanges. An extensive cell network has laid the basis for widespread use of hand-held telephones.

All of these services have been provided at no cost to the taxpayer, and have given the companies involved a track record of profits growth that would be the envy of most companies world-wide.

"We have never said we have it perfect," said Peter Winder: "We may have cheaper electricity, for example, than other countries in Asia, but is electricity as cheap as it could be?"

"We are relying to a very great extent on trust in companies to do the right thing, and up to today I think we have been vindicated. We think the record speaks for itself."

David Dodwell

The Cable and Wireless earth satellite station at Stanley. HongKong Telephone which has the local monopoly in voice telephony handled over 27m IDD calls last year.

Profile: HongKong Telephone

A service transfomed

HONGKONG TELEPHONE'S scheme of control was, like many others, born out of crisis—in their case a storm of public protest over a proposed 70 per cent increase in charges.

The move was an emergency response to a financial crisis that had unfolded as a result of inadequate investment, and an urgent need to replace antiquated equipment. Government officials recall overborrowing to buy obsolete equipment. HongKong Telephone's own executives recall pressure to keep charges as low as possible.

The government inquiry that followed in 1974 allowed the group a 30 per cent increase, and imposed a scheme of control, effective from 1976, that was unlike any other in Hong Kong in that it based a 16 per cent permitted return not on assets, but on shareholders funds. In return, HongKong Telephone was granted a monopoly of voice telephony in the territory up to 1995.

"By relating profit to investment, the scheme discouraged borrowing and encouraged shareholder financing," said Mr Peter Winder, who oversees schemes of control for the Government.

Eleven years later, HongKong Telephone is a company transformed. So too is the telephone service provided to local subscribers.

The group's turnover in 1986 was almost HK$2.8bn, which generated a profit of HK$696m. In 1976, turnover of less than HK$600m had produced profits of barely HK$100m. As it proceeds apace with the installation of digital exchanges—with 48 per cent of all connections now using digital equipment—so exchange capacity has doubled to more than 2m lines over the decade. It handled over 27m IDD calls last year, compared with a meagre 93,000 in 1976.

Today, over 88 out of every 100 households in Hong Kong have telephones—not quite as high as the US's 96.7 per cent, but more comprehensive than Britain's 79 per cent.

All local telephone calls remain free, and overall telephone costs are a third of those in the UK and less than a quarter of costs in Japan.

By almost any measure of performance, HongKong Telephone compares favourably with almost any international competitor—which is perhaps one reason why the efforts of British Telecom, recently privatised by the UK Government, to enter the local market to provide services not protected by Telephone's franchise, has caused such a furore.

Recognising that Hong Kong offers the prospect of being an important and lucrative market for a variety of telecommunications services, British Telecom has made a determined effort to win a toe-hold—first in a partnership proposing to offer cable television services on a broadband network.

It has suddenly become clear that HongKong Telephone's franchise is in danger of being overtaken by the technologies of the 1990s, many of which appear likely to provide substantial profits to companies like HongKong Telephone.

After having nursed the local market so assiduously over the past decade, the group is understandably peeved at the thought of a predator appearing to glean away the cream that now appears poised to fall onto the cake.

Whatever the outcome of this contest, it appears certain that the main beneficiary will be the Hong Kong telephone user.

David Dodwell

Kai Tak airport is benefiting from buoyant trade growth

Air freight at Heathrow levels

KAI TAK airport is set to overtake Heathrow this year in terms of total air freight tonnage handled, according to Mr Anthony Charter, director of Hongkong Air Cargo Terminals (HACTL).

The airfreight business in Hongkong is booming in line with the territory's overall buoyant growth in international trade. Total tonnage handled last year was a record 517,286 tonnes, only about 43,000 tonnes short of the volume passing through Heathrow.

Particularly striking was the 34 per cent growth rate in exports shipped out by air. So far this year, export shipments have recorded a further 19 per cent growth, though Mr Charter believes the pace could tail off later if the pace of exports to the US slows.

In all, around a quarter of Hong Kong's trade in value terms is thought to be shipped by air. Mr Charter explains that one reason for the surge in business is the territory's reputation for high-speed delivery and quality production in the textiles sector.

This allows buyers abroad to make repeat orders of lines that are selling well in retail stores without having to carry inventory. Altogether the cost is lower, since the airfreight charge on a garment selling at, for example, US$100 may be as little as US$2. Moreover, airfreight shipments can go right to the heart of a country like the US rather than having to enter through a sea port and then be transported to their final destination by road or rail.

HACTL, which has a monopoly franchise to handle all airfreight business at Kai Tak from the Hong Kong Government, which soon will be running up against its existing capacity limits of some 680,000 tonnes per year. It is planning a second terminal which will double capacity early in the next decade.

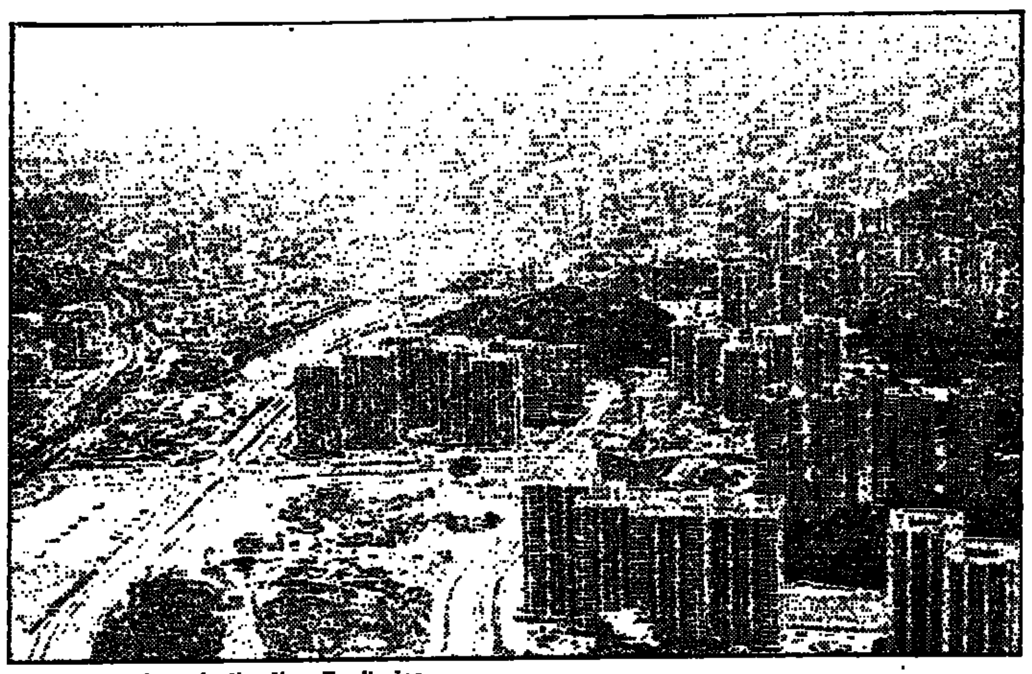
The two largest shareholders in HACTL are Jardine Matheson and Swire Aviation with 30 per cent apiece. The Wharf (Holdings) and Hong Kong Whampoa Dock hold 15 per cent each while the remaining shareholder is the Government with 10 per cent. The company publishes no results but is understood to be highly profitable.

Air shipment means buyers get their repeat orders quickly.

Under the scheme of control which is the basis of its franchise it is allowed to earn a return amounting to 12½ per cent of gross assets minus financing costs though this can be increased to 15 per cent if profit is carried forward and charges to airlines are not increased. This twist to the scheme of control system provides both an incentive for the company to operate profitably and efficiently and to keep its charges down.

Last year there was no increase in charges and Mr Charter says they are unlikely to increase in 1987 either. In real terms charges have declined by about 15 per cent since 1976, he says.

Peter Montagnon



Sha Tin new town in the New Territories

New Territories

Quest for more balance in local communities

MR HUI YIN-FAT, *legislative councillor, described the New Territorities' new towns as "Cemeteries with lights,"* back in 1981. His criticisms are less strident now, but they remain highly critical of government planners.

"There has been progress, but I'm not entirely happy about what has been done. Even now the Government doesn't like to spend money ahead of time to install services before people move in," he says, adding that his original criticism was prompted by Government's failure to make provision for amenities before people moved to the new towns.

The development of new towns gathered momentum in 1972, when a major building programme was launched. The objective was to build 1.8m units of accommodation in 10 years—most of those in new towns—and thereby to provide a better living environment for those living in impoverished conditions in older urban areas.

Nobody disagrees that such a basic objective has been achieved. The first generation new towns—Sha Tin, Tsuen Wan and Tuen Mun—now house 1.4m people.

The second generation new towns of Tai Po, Fanling, and Yuen Long are rapidly developing, and will be mostly complete in the early 1990s. They have a combined population of some 340,000.

Difficulties

Development of Tin Shui Wai new town is now proceeding, with completion scheduled for the late 1990s.

The new territories has subsequently been transformed from a sleepy rural hinterland into a network of busy towns linked by high speed roads and mass transit railways. Its population has risen to 1.8m, from less than 500,000 in 1970. By the end of the century it is expected to reach some 3.5m, more than half of the territory's projected population.

With the change has come a series of problems for government planners, who originally set out to build "balanced, self-contained communities." The new towns are not balanced in terms of the population's age or class structure, nor in terms of job opportunities or accommodation categories; and the government acknowledges this.

Dr Peter Pun, from the Territory Development Department and president of the Institute of Town Planners, says: "We still plan them as balanced communities, but that is in the very long term. Given Hong Kong's small size and the convenient transport network, the new towns will never be 100 per cent self-contained."

Residents of Tsuen Wan and Sha Tin, the nearest new towns to the urban area, can reach Hong Kong Island in about 30 minutes by Mass Transit railways.

Dr Pun says that the new towns are balanced in that "schools, community centres, police stations," and so on are provided. Many people in Hong Kong disagree.

Dr Victor Sit, a lecturer in geography at the University of Hong Kong, says that in Tuen Mun and Sha Tin, for example, the projected primary school places required by the projected overall population build-up proved to be insufficient because newly-weds were those primarily attracted to move to the new towns.

"In Tuen Mun there is a lack of places in primary and secondary schools. Students have to travel long distances to go to schools," adds Mr Hui.

Dr Pun, acknowledging the problem, says the challenge now facing town planners is how to "adjust the urban fabric" to meet the changing situations. He says that "in Tuen Mun, three years ago the problem was a shortage of primary schools, now the children are secondary school age and the problem is a shortage of secondary schools. Soon we will have a surplus of primary schools."

Dr Pun says that in some cases secondary schools have been built ahead of time, but adapted for primary school use first.

Miscalculations also appear to have been made in attracting industry to the new towns.

"The development of industry in new towns is still behind schedule," says Dr Sit. Companies have been reluctant to move to the new towns because of the large pool of labour in the urban area, where they are also nearer to the port and tertiary services.

Dr Pun says that "more and more people are moving factories to the new towns. It is a misconception that companies can't find labour there."

In first and second generation new towns, 70 per cent of space allocated for housing was for low-rent government units, only available to low income families. Dr Sit says "this application criteria has already put constraint on the social characteristics of the new town residents." He refers to the new towns as "industrial and working class."

Dr Pun comments that recently-planned new towns have far greater attention paid to social factors, and they are also smaller. With reduced pressure on the public housing programme, more space has been provided for private developments.

In Tin Shui Wai, 50 per cent of the housing space is for private development, while in Junk Bay, in eastern Kowloon, 60 per cent will be for the private sector.

The rapidly-developing infrastructure is aiding future planning strategy. Residents of Yuen Long and Tuen Mun will have transport provided by a light rail transit system by the middle of next year, and there are proposals to extend this to other areas. There could also be a rail link between Yuen Long and Tsuen Wan, which is now served by the Mass Transit Railway, in later years.

Kevin Hamlin

Railway development

Transport policy gives priority to rail links

THE MASS Transit Railway Corporation (MTR) moves nearly 140,000 people through the Cross-Harbour Tunnel in the equivalent of 360 Boeing 747 jumbo jets during the morning rush hour. The passengers are crushed together, but not half as frustrated as motorists moving snail-like along the tunnel's approach roads.

Government's co-ordination of infrastructure development goes hand-in-hand with a subtle public transport policy designed to ensure that there is no "wasteful competition." The policy gives priority to the mass transit modes: the MTR and the Kowloon-Canton Railway Corporation (KCR), both government-owned.

Having spent some HK$30bn developing railways during the last 12 years, the Government is determined that the MTR and KCR will not become mill stones, as so many mass transit systems have in other parts of the world.

Mr Peter Johnson, Deputy Secretary for Transport, says: "*We take the view, and I think justifiably, that in the long-term there is an overall public interest to be served by having controlled competition rather than a free-for-all. There is more co-ordination than some of the operators would like.*" Public transport in the territory is otherwise privately operated.

Government controls competition through price, and by stipulating where bus passengers can embark or disembark. Dr Victor Sit, lecturer in geography at the University of Hong Kong, comments: "There has been a subtle principle within government that the mass transit modes are preferred, and going all the way down the list is the passenger car. It is a very well-organised tier structure."

The rationale behind the policy is elaborated on by MTR chairman, Mr Wilfred Newton—"It would not be appropriate for Hong Kong to embark on the wholesale subsidisation of public transport because that would fundamentally change tax revenue requirements. I really don't think the people of Hong Kong welcome that," he says.

The MTR, which operates a HK$38.6m system on three lines, had debts at an expected peak of HK$19.2bn at the end of last year. Net losses were reduced to HK$470m, compared with HK$794m in 1985. The corporation expects to achieve positive cash flows in the early 1990s, and to return a profit shortly after. Debt should be virtually cleared by the end of the century.

Privatisation is considered a future possibility, but the Government does not have a fixed policy on the issue.

The last phase of the MTR's Island Line, which now links Sheung Wan to Chai Wan along the densely populated northern shore of Hong Kong Island, opened in May last year. It has added 350,000 passengers a day to the network, which is the third busiest in the world, behind Sao Paulo and Toyko, with 42,000 passengers per route kilometre daily.

The MTR's Island and Kwun Tong lines will be linked together by the second cross-harbour tunnel, the Eastern harbour crossing, at the beginning of 1990. With the cross-harbour tunnel section of the system now near its capacity of 75,000 passengers per hour during the morning peak, the Eastern Harbour Crossing will provide much-needed relief.

The new tunnel link is initially expected to add 90,000 passengers daily to the network, rising steadily to 120,000 a day. Mr Newton says the tunnel line will be "cash positive" from day one. The MTR will lease the rail tunnel from the private consortium now building it.

Central Station, Hong Kong

Extensions

On other extensions to the MTR system, Mr Newton says: "It's very difficult to see. In the short term, truly justifiable extensions." An extension linking the Junk Bay new town, in south-east Kowloon, to the Kwun Tong line is the most likely in the foreseeable future, but its construction hinges on the Government giving the go ahead for phase two of the Junk Bay new town development.

The MTR could also be extended from Tsuen Wan to Tuen Mun in the New Territories, but the problem here is that the likely construction of the route X highway on the same alignment would seriously affect a rail link's viability. Mr Newton says there is not sufficient passenger demand for bus and rail services.

The Kowloon-Canton Railway Corporation (KCR), which operates services from Kowloon to the border with China as well as through trains to Guangzhou, recorded a net profit up 113 per cent to HK$117m last year, its second consecutive profit.

Debts were reduced by 18.4 per cent to HK$949m last year, but additional debt of some HK$1.3bn is being taken on this year to finance expansion. As with the MTR, the Government has no policy on privatising the KCR, but does not rule it out in the long term.

The KCR carried 114m passengers in 1986, an increase of 12.2 per cent on the previous year. Through trains to Guangzhou carried an additional 1.8m passengers, an 11 per cent increase on the previous year.

Freight carriage rocketed. Imports from China were up 31 per cent to 3.31m tonnes while outbound carriage was up 51 per cent to 890,000 tonnes.

Construction of the KCR's Light Rail Transit (LRT) system, which will link Yuen Long and Tuen Mun in the western New Territories, got underway in August last year. The HK$1bn first phase is due to open late next year with 23km of tracks and 41 stops on seven routes.

Legislation preventing heavy buses from competing directly with the LRT was passed in the middle of last year. Bus operators were outraged, and the Kowloon Motor Bus Company's acrimony was such that it refused to provide feeder services for the system, causing the corporation to invest in a fleet of light buses to feed the LRT system.

The Government says studies showed that the area is viable for only one mode of major public transport. District boards of the areas were consulted, and it was they who chose LRT, the Government says.

Government approval has already been granted for phase two of the LRT, which will add up to eight more routes in the early 1990s. The KCR has also studied extending the LRT to other urban areas. Research indicates that the Yuen Long to Tai Po route would be the most likely of four possible extensions.

Mr Peter Quick, KCR managing director, says an LRT extension to an urban area "is a project for the mid-1990s."

KCR projections show the China freight market growing fourfold to more than 12.6m tonnes by 2006.

A KCR-commissioned consultancy study on the Hung Hom Bay reclamation project in Eastern Kowloon concluded that 26 hectares of the 36 hectares of land to be reclaimed would be needed for freight terminal expansion to meet expected demand up to 2,006.

The Government recently decided to allocate only 18 hectares to the KCRC for freight terminal expansion, arguing that this would be sufficient to meet demand up to the late 1990s. A Government statement said: "It was considered that freight facilities in the long-term should be located elsewhere in providing residential space to facilitate urgan redevelopment."

Kevin Hamlin

Construction

Japanese gain market share

FROM MICROCHIPS to eggs, Hong Kong has never worried about being a dumping ground for international exporters. Because of the export orientation of its own industry and the fact that almost all raw materials have to be purchased from abroad, its businessmen and government have even been quite pleased when products are offered at ultra-low prices.

Yet now Hong Kong faces a trade threat in the one local industrial sector that is potentially vulnerable—construction which is a multi-billion dollar domestic industry and a major local employer. Foreign companies, particularly Japanese concerns, have been cornering a bigger share of the market and in the face of declining margins and a smaller share of the workload local firms fear they are being squeezed out of business. They have begun to seek protection from the Government.

As with any trade issue the problem is highly charged with emotion. To listen to some commentators it is easy to gain the impression that Hong Kong faces a classic case of industry targeting. Particularly vehement criticism is reserved for the Japanese company of Kumagai Gumi.

Despite the welcome accorded to it by local investors when its Hong Kong affiliate was floated on the local stock exchange last month—the issue was more than 200 times over-subscribed—Kumagai is seen by locals as a market predator. It has wormed its way into several prestige projects around the territory, including the new Bank of China skyscraper building and the second cross harbour tunnel.

Actual statistics are hard to come by, however, and even leading figures in the industry admit that it is difficult to prove the case that they have been subject to predatory attack. This means that some of the criticism levelled against Kumagai in particular may be overdone, but it is still clear, as the table shows, that local contractors have lost market share in public sector contracts. They have been undercut, not only by Kumaigai but by other Japanese companies operating in Hong Kong, such as Nishimatsu and Maeda, as well as Korean concerns trying to diversify their market after the slowdown *in* the Middle East.

"We think that there are instances where the Japanese price is below cost," says Mr George Tso, chairman of the local Paul Y. Group. And Mr David Morris, chairman of the Gammon group, adds: "The bell is beginning to toll for the local industry."

Despite its well-publicised share offering Kumagi is reluctant to talk in public about its acquistion of market share. Japanese government officials in Hong Kong say, however, that Japanese concerns have an advantage over local contractors. Not only can they provide a greater degree of technical expertise; they also have access to financing which makes them naturally stronger than local contractors when bidding for major contracts.

In the background is a market that clearly suffers from over-capacity. Many foreign companies first came to Hong Kong to help build the territory's mass transit railway which is now more or less complete and compared with a few years ago, there is a shortage of major work. Mr Morris believes that the industry is still running at 15 to 20 per cent below its peak of 1981 in real terms. Inevitably that has led to a fiercely competitive environment in which some local firms have already withdrawn from the business.

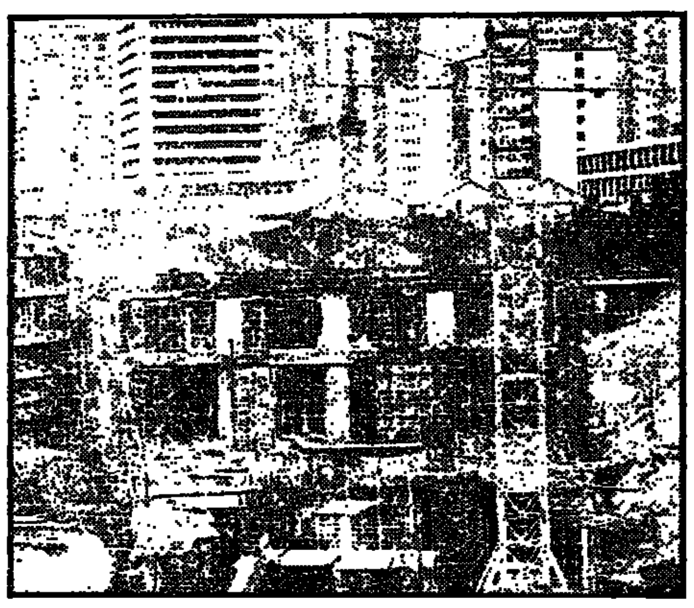
Industry executives in Hong Kong say that foreign companies have an unfair advantage because they are subsidised in their home markets. This enables them to bid cheaply for contracts in Hong Kong, undercutting the local competition, sometimes by as much as 20 per cent.

And that is where the Government's dilemma begins. Late last year local companies under the auspices of the construction industry association petitioned the goverment for a change in the rules that would effectively restrict foreign firms from bidding for public sector contracts worth less than HK$100m in the case of civil engineering contracts and HK$200m in the case of building contracts.

Public sector contracts

Construction projects	1983	1984	1985	1986
Value of work (HK$m)	5,576	6,802	5,821	7,253
Overseas companies' share (%)	29	39	42	42
Domestic companies' share (%)	71	57	58	52
Joint ventures chare (%)	—	4	—	6

Source: Construction Industry Association



Completion of MTR projects means that contractors are now facing fiercer competition for construction jobs, particularly from the Japanese

Were the government to accede to this request it would risk being accused of introducing a protectonist policy that could *undermine the free-trade* stance it always takes in international negotiations with bodies *such* as the General Agreement on Tariffs and Trade (Gatt).

So jealous is the Government of its image as a free trader that it has not agreed to the industry's request. Talks are continuing about the possibility of a change in the limit of contract size below which foreign contractors may not bid, but if any change is agreed it is unlikely to be as generous as that sought by the industry.

At present, the limit is set at HK$15m. Now attention is *switching to the possibility of* action against predatory pricing. Not only would this seem much less overtly protectionist as a response. It could also help the government from being caught out with extra charges once it has accepted an unrealistically low bid from a foreign contractor.

The traditional free market approach of the Hong Kong government could of course dictate a solution which says quite simply that if local companies cannot afford to stay in the market, they must leave to make room for cheaper, more efficient concerns. Given the size of the local industry that is, however, a policy that would be hard to apply.

Mr Tso of Paul Y says he personally prefers anoher solution which would be for the government to give preference to local firms when awarding contracts providing they were within 5 per cent of the best price bid by foreign companies. That is the solution practised by Singapore, but as far as Hong Kong is concerned it would also smack of protectionism.

So what is actually the outlook for Hong Kong's local contractors without some help in combatting foreign competition? According to Mr Tso, "there is plenty of work around, but how can you compete against people who are prepared to suffer a loss?"

According to Mr Morris, civil engineering in Hong Kong was quick to atrophy after completion of the mass transit railway. Local companies took the view that "this would be followed by local builders so that the whole industry would have diminished a sub-contractor status."

Most international trade disputes actually have employment questions at their heart as domestic industries worry about the loss of jobs from unfair foreign competition.

This is not, however, the case with the Hong Kong construction problem since Hong Kong immigration laws generally restrict *the* use of *immigrant* labour on building works. There is thus relatively little general *public clamour* for action to be taken against the foreign firms and this may make it harder for the local firms to win their case.

Ironically for a free market capitalist economy like Hong Kong, labour is protected, says Mr Tso, but owners are not.

Peter Montagnon

Group of 71: more sanguine about a Peking takeover

ONE OF the many ironic elements in the Hong Kong scene before the change of sovereignty in 1997 is the stance taken by some sections of Hong Kong society. To the outsider, for example, the big businessmen, young entrepreneurs and upper middle class could have most to lose from the Peking takeover, and could therefore be expected to be the most hostile.

In fact, the most effective lobbying against any further introduction of democracy as a means of tying the hands of China, is a group of businessmen known as the Group of 71.

The group was formed originally by 57 members of the basic law consultative committee, a China-dominated body whose task is to draft the laws that will govern Hong Kong after 1997. The 57 felt that their views were not being sufficiently represented in the media.

Sharing similar ideas and frustrated at being unable to get them across, the members got together to draft a common manifesto which appeared last August. The key lines were that Hong Kong's political system should be *gradually* made more open, and "to allow nomination of outstanding people, thus providing a wider choice for voters."

They are thus in favour of gradual evolutionary changes in the political system that would take account of the publication of the basic law in 1990 and its introduction in 1997, and of a limited degree of direct elections.

Influential

By 1997, when pro-direct election groups would like to see anything between 50 per cent and 100 per cent of the members of the Legislative Council (Legco) elected directly, the group would like to see no more than 25 per cent directly elected.

A further 25 per cent would be selected from the district boards and regional councils, and the remainder chosen by functional constituencies—professional bodies and other organisations which now have seats on Legco.

The group is extremely wealthy and influential because of its close contacts with the government of Hong Kong and more recently with the authorities in Peking.

With its common interest in the maintenance of the status quo and in private enterprise, it is the group in Hong Kong that looks most like a fledgling political party. But its members are firmly opposed to the introduction of party politics, believing that this would mean divisive confrontational politics and an end to the consensus that has served Hong Kong so well. Hostility to politicians pervades the views of the group.

A key element in the beliefs of the corporate leadership is that Hong Kong must not pose a threat to China, which regards the territory as a long term investment and a means, if handled properly, of luring Taiwan back into the family.

The group also believes that Hong Kong could act as a catalyst for economic and political developments on the mainland, provided no changes are made which would involve the introduction of political reforms by a colonial administration.

Richard Evans

Securities

Stock market turnover at record level

"HONG KONG is like a tropical plant," said a contemplative banker, musing one afternoon last month in his office 30 storeys above the rain-drenched Chater Gardens. "If you dig about at the roots too much, it will just wither and die."

There has certainly been a tropical luxuriance about the territory's stock market in the last six months. As the Hang Seng index scrambled towards the 3,000 mark, the 680 active members of the Hong Kong Stock Exchange saw turnover swell to HK$23.8bn in March—more than double the 1986 monthly average.

There has also been some frantic digging about at the market's regulatory base—with Mr Ray Astin, the Securities Commissioner, taking centre stage as an advocate of criminal measures against insider trading.

But will hyper-activity by the territory's regulators kill off the local securities industry's spirit of free enterprise? Or is tighter regulation essential if Hong Kong is to shake off its image as a peripheral stock market easily prone to manipulation? Mr Ronald Li, who steps down at the end of this year as chairman of the Hong Kong Stock Exchange, has distinct reservations about what he sees as an excess of regulatory zeal.

He feels that complicated rules governing new Stock Exchange listings simply add to the fee income of merchant banks, accountants and lawyers. And he is distinctly luke-warm about the idea of criminalising insider trading — "I don't think insider trading is as bad here as in New York," he says.

But Mr Li seems to be swimming against the tide. Events in the last six months suggest that potent social and commercial forces — above all, the institutionalisation of savings and investment — are pushing Hong Kong towards the kind of regulation that operates in other leading financial centres.

In this intimate, village-like financial community—where personalities and personal rivalries count for more than they might in London or New York—the progress is likely to be piecemeal, but the trend seems clear.

In the last few weeks, for instance, a new British-style disclosure of shareholdings of 10 per cent and above in quoted companies, has gone to the territory's Legislative Council.

Since the beginning of the year, three issues besides this one have already helped to crystallise debate. First, the Securities Commission found itself skirmishing with the Exchange over the apparent ease with which newcomers to the market could obtain a backdoor listing by reactivating shell companies.

Second, Jardine Matheson, Hong Kong's oldest trading company, triggered an investigation into the creation of two-tier company share when it attempted to create a new class of cheap "B" shares with voting rights on a par with those of "A" shares. Designed to help protect Jardine from hostile takeover, the move aroused the wrath of institutional investors when it became clear that other Hong Kong companies planned to follow suit.

"B share issues just give companies cheap votes," says one local fund manager. "We're debasing Hong Kong as a financial centre, if we allow them."

That issue—along with the third question, of whether or not to criminalise insider trading—has now gone to the Government's standing committee on company law reform, which will probably not report before the autumn.

Why is there such pressure for higher-profile regulations? Mr Phillip Thorpe, assistant Securities Commissioner, says: "The secret lies in the growing volume of business done by the gweilo (US, British or European) brokers and fund managers."

As the gweilos become more powerful, so they flex their muscles in lobbying for the kind of environment they are used to—which will mean more disclosure by companies, and a tougher stance against market abuses.

So, two years ago, Mr Peter Pearson of Fidelity, the US-based fund management group, became the founder chairman of a new Hong Kong Unit Trust Association. Recently, members of the HKUTA have come down strongly against permitting "B" share issues. And Mr Pearson, though no longer the association's chairman has publicly backed Mr Aston's stance over inside trading.

Why are the gweilo institutions becoming more powerful? One reason may be that their traditional role, as managers of overseas investors' Hong Kong portfolios, has been changing fast in favour of a bigger role in managing the territory's own savings.

Pooled investments like life assurance and unit trusts, may be "still embryonic" as a feature of the local savings market, according to Mr Alan Smith, chief executive of Jardine Fleming, Hong Kong's biggest merchant bank and fund manager. But the last six months in particular have seen some spectacular growth in unit trust sales to local people.

Gartmore, the British unit trust group forecast last November that local Chinese investors would pour US$200,000 each week into its main Hong Kong trusts. The actual figure has turned out to be more like US$4m.

Traditionally, many local Chinese people have fought shy of pooled investments. And—as Fidelity's Mr Pearsonu points out—Hong Kong was the base for Mr Bernie Cornfeld's notorious IOS group, whose collapse in the early 1970s left many locals wary of fund managers.

The key to the change in attitudes may lie in the rise of a savings-conscious managerial middle class in Hong Kong with fewer cultural inhibitions about their investment decisions.

If so, then another key indicator has been the swift growth of local pension funds—at a time when the ageing of the population has stirred up political controversy about the need to step retirement provision.

Mr Stuart Leckie of Wyatt, the consulting actuaries, believes Hong Kong pension fund assets now total HK$50bn and are doubling every three years—a faster growth rate than anywhere else in the world. That is only partly due to big capital gains in rising world stock markets.

What is more, the number of Inland Revenue-approved company retirement schemes is soaring by about 60 a month, as the workforce's expectations rise.

It adds up to a series of pressures gradually chipping away at the old image of Hong Kong's stock market as a lightly-regulated jungle dominated by a relatively small number of local millionaire private investors.

Their day is obviously far from over—but as 1997 approaches, Hong Kong seems to be undergoing the kind of overwhelming institutionalisation of investment that happened in Britain in the 1960s and 1970s.

Nick Bunker

Hong Kong Stock Exchange: a boom in the last 18 months

Foreign banks

Brighter future after four dark years

THERE SHOULD be no greater sign of bankers' confidence in Hong Kong than the fact that Mr David Nendick, its Monetary Affairs secretary, cannot, offhand, recall the names of all the new foreign banks that have set up shop in the last year.

In 1986 five Japanese and two European banks took out licences there for the first time. That ought to be testimony enough to the healthy prospects for an industry which has climbed out of four dark years and into a brighter world of rising loan demand from consumers, from exporters and from private sector capital spending.

Yet, with 22 US banks, 37 from Europe and 25 from Japan now holding full Hong Kong banking licences, the territory has won a reputation for being severely over-banked.

It would be wrong to forecast a dramatic shake-out in Hong Kong. Robert Fell, the banking commissioner, has long predicted a steady rationalisation of the industry—which the Government is trying to manage as smoothly as it can by assisting necessary mergers and acquisitions.

The competitive pressures driving this process have been most visible in retail banking and have already led to the well-publicised decisions by Barclays and Bank of America to cut back their retail operations.

It has manifested itself not only in pressure on interest rate margins—though most observers feel that this has been less marked in 1987 than in 1986.

It has also worked through, for instance, into higher staff costs, with one banker admitting recently that he has been paying £2,000 a month to key young women sales staff in his branches. Even so, people "are being lured away for 100 per cent premiums," he says.

But most observers agree that the banks with most to lose here are small local operations, maybe with 10 or 20 branches, which cannot survive the intensifying retail banking competition but have nowhere else to go.

For the rest—especially the foreign banks—the economic indicators still look good. Says Mr Carlton Poon, head of research at stockbroker James Capel (Far East): "There is enough trade finance here to ensure a thriving bank industry."

His analysts forecast trade financing will grow by 25 per cent this year, against 19 per cent in 1986—with mortgage demand set to expand by 40 per cent, and total advances by about 20 per cent this year and next.

And Mr Fumio Umemoto at the Bank of Tokyo likes to gesture towards Kowloon and remind visitors about the new cross-harbour tunnel that, along with the Hung Hom Bay reclamation, could generate some HK$10.5bn in loan demand.

His compatriots—who now represent by far the biggest single group of foreign lenders in Hong Kong—have also been picking up the lion's share of business from the inflow of Japanese manufacturers to the territory, and have "huge lines of credit out in China," according to one leading British banker.

Yet, within this bright picture there are areas of darkness. They concern the growth potential in individual sectors where foreign banks may be hoping to specialise: merchant banking and corporate finance, capital markets and—not least—China loans and regional syndicated loan business.

Mr Nendick, for one, has been scratching his head trying to work out what some foreign banks are doing in Hong Kong. His slightly baffled conclusion: "When you look at international banks here, you can't see any definite pattern."

What is evident is some very extensive jockeying for position. Take Bank of America, for instance.

It shed 165 staff at the end of 1986. It has also been reconstructing its loan book, de-emphasising the jewellery, property and shipping sector, and focusing more on importers and exporters in sectors such as toys and electronics. But much of its efforts are aimed at adding value to its loans—by cross-selling its corporate clients' financial services such as foreign exchange.

In the People's Republic of China, it has chosen to specialise also in selling financial services—such as travellers' cheques—in links with PRC-based banks. "I see almost an explosion of financial institutions in China. That's what we're targeting," says Mr Robert Hunt, Bank of America's regional chief executive.

But this kind of repositioning is being played out against a background of rising costs—"in certain key specialities, staff costs now are nearly as great as in London or New York," says Mr Hunt—and thin pickings for newcomers in some specialised fields.

In merchant banking, it will be hard to break the grip established by the leaders—Jardine Fleming, Wardley, Schroder—with their long-standing ties to the biggest local trading companies.

One indicator of the problems of entering the field is the control these three banks wield over local pension fund management. Jardine manages 35 of the 150 pension funds surveyed each year by Wyatt, the consulting actuaries. Schroders Asia manages 30, and Wardley 27. Hill Samuel, Kleinwort Grieveson, Morgan Grenfell and N. M. Rothschild only manage 13 between them.

And in two other areas—syndicated loans, and capital market operations—the opportunities are still constrained. South Korea, once the customer for 60 per cent of the region's syndicated loans, has shrunk back its borrowing as it negotiates pre-payment of earlier loans. The PRC has a long way to go before it can take its place, though Malaysia and Indonesia have been returning to the market.

In the Hong Kong dollar capital markets, too, the last six months have seen an end to the long spurt of growth that came with falling interest rates. A combination of low liquidity—because of a weak local investor base—and an unstable US dollar have left bankers with a very thin secondary market, and traders with plenty of time on their hands.

Nick Bunker

Group profits up for the Hong Kong Bank

Ready for expansion

Mr William Purves: treading gently

ONE MORNING recently, Mr William Purves picked up his newspaper, read a story about Merrill Lynch, the US securities house, and did not like what he saw. Traders at Merrill had lost a fortune in the bond market—and Mr Purves, chairman of the Hong Kong and Shanghai Banking Corporation, was quick to draw his own conclusions.

"Capital markets-" he says. "It's sad that the Hong Kong Bank hasn't got its act together. What's wrong with that? I don't want to open the paper and find that we've lost $275m."

Mr Purves's reaction was revealing about the philosophy of the man who took over the chair from Sir Michael Sandberg last October.

There are several sources of his hostility to any headlong rush by banks into "securitisation"—the replacement of loan portfolios by packages of tradeable securities.

One of them is a conservative banker's dislike of developments which could erode traditional relationships between banks and long-standing corporate clients.

"Corporate treasurers don't want to ring up one day and find that their loans have been sold off to Tom, Dick and Harry," says Mr Purves. "I may be swimming against the tide, but as a matter of principle we don't package up our loans and sell them off."

This sounds like what one might expect from a Border Scot who at 56 has spent 33 years working his way to the top job at the Hong Kong Bank. He joined it—without a university degree—in 1954, after an apprenticeshp with the National Bank of Scotland, and service in the Korean War (where, as an infantry officer, he won the British Army's second highest award for bravery).

Like other commercial banks, Hong Kong Bank has difficulty finding suitable opportunities for growth by acquisition at a reasonable price.

On a deeper level however, the Hong Kong Bank's situation is that in 1986 it finally emerged out of the shadow of three years of flat profits growth due partly to its bad losses from shipping and property loans.

Now—with group profits up 12 per cent to HK$3bn last year, with loan demand buoyant in Hong Kong, and with the proceeds of a HK$3.3bn rights issue gathered in—it looks ready for fresh expansion overseas.

But like other commercial banks of its size, the Hong Kong Bank is running up against the difficulty of finding suitable opportunities for growth by acquisition at a reasonable price. With its status as a key part of the Hong Kong establishment—where Mr Purves, for instance, is a member of the territory's Executive Council—it also has to tread gently to calm fears about its intentions after 1997.

And, thirdly, the bank's bad loss experiences seem to have left Mr Purves very wary of expansion—into fields like securitisation for one—which could create new unknown risks.

"The world has got faster. Morality has slipped," he says. We shall grow when the opportunities arise—but that should not be seen as pulling out of Hong Kong."

Where will he grow? In US retail banking, the group's subsidiary Marine Midland is poised to take advantage of any further liberalisation of banking regulations.

"I don't see the return on assets as being particularly attractive in Europe," Mr Purves says. "The UK looks like the best place to have a bank these days."

Target sought

If so, then the Hong Kong Bank—which was rebuffed by the British authorities when it went after the Royal Bank of Scotland in April 1981—has the same problem as the TSB Group: finding a target.

With hindsight gleaned from the experience over the Royal Bank, Mr Purves says: "I don't see us acquiring something in the UK except on an agreed, friendly basis."

That leaves opportunism—a phrase which Mr Purves is quite happy to use to describe the rights issue—as the word for the Hong Kong Bank's future strategy. The question is whether in an over-banked world there are enough opportunities waiting to be had.

Nick Bunker

Emphasis on new banking technology

A FEW yards from the chairman's office in the Hong Kong Bank's new headquarters is a room lined from carpet to ceiling with hundreds of ring binders.

They contain the specifications for the bank's information technology systems. Their promixity to the chairman's suite is one small sign of the importance the Hong Kong Bank has given to technology, which it makes a point of developing in-house.

With 5,308 computer terminals installed in Hong Kong—including 480 automated teller machines and 1,817 teller terminals—the bank has used its home territory as a proving ground for systems later installed overeas.

Mr John Strickland, its general manager (services), says 454 staff in the recently-formed Banking Services Department are now involved in long-term systems development work.

"Many banks have twice that number—and Citicorp may have five times as many," says Mr Strickland, but he can list perhaps half-a-dozen special advantages which the bank has gained from being based in Hong Kong.

"There's a unique concentration of banking activity that makes a high degree of automation viable," he says.

There is also a strong work ethic and a thirst for knowledge which makes local people suited to systems development, he argues.

As far back as the early 1970s, the Hong Kong Bank laid one of the foundations for its long-range systems development when consultants from Peat Marwick made a report which led to the introduction of a Management Information System, (MIS).

Now encompassing 600 video display units and 159 personal computers, the MIS contains, for instance, forecasting and cost control information, and detailed information of business activity, for each of the group's 385 branches in the territory. It is "still the envy" of competitors, says Mr Strickland. "We are migrating it round the world."

But the Hong Kong Bank's current talking point is Hexagon — an electronic banking delivery system tailored for big corporate clients and allowing them swift access to banking services. Carried on the bank's own Global Data Network, it is now available to 500 clients in 29 countries.

"It's a very powerful tool in the hands of corporate treasurers," says Mr Strickland.

Nick Bunker

Banking supervision

New tasks are pending

AS MR ROBERT FELL prepares to leave his post as Hong Kong's Banking Commissioner this summer, he leaves behind him a scene of relative tranquility.

"There isn't any problem bank here now," he says — after three years of sometimes arduous activity when he had to eradicate the root causes behind the collapse and rescue of seven banks since the local stock and property markets crashed in 1982-83.

His key task was to deal with what he calls a "systemic problem" — a "virus" of sometimes criminal activity which was threatening to become endemic, and arose from banks overexposing themselves to loans to companies linked to their directors.

Yet now — in a local banking sector that has stabilised dramatically since early 1986, as loan demand has risen — some new tasks are looming.

Many of them are encapsulated in a thick sheaf of discussion papers published by Mr Fell late last month at about the same time that Mr Tony Nicolle, his successor, arrived from the Bank of England.

Their common thread is that, after three years of crisis management in Hong Kong, the new banking commissioner has to turn to the task of actively promoting the territory's status as an international financial centre.

That could well mean more positive intervention by the authorities. "We want to manage change, rather than just let change happen according to the mood of the moment," says Mr Nicolle's political superior Mr David Nendick, the Monetary Affairs secretary.

The challenge—which Mr Nendick freely acknowledges—is to do that without prejudicing the freedom for markets to grow along their own chosen paths.

So, for example, the discussion papers have been couched deliberately in a form that invites wide consultation. They set out five options for a possible reform of the territory's three tier system of supervision which divides lenders into 154 licensed banks, 35 licensed deposit taking companies and 248 registered deposit takers.

That may be necessary because some institutions have been finding that their business sits awkwardly inside the old categories at a time when global trends like securitisation of loans have been breaking down old boundaries between banks and other institutions.

The Hong Kong Deposit-Taking Companies Association has been urging the creation of new "limited service" banks. These could push into securities trading, unhampered by old rules designed to protect individual private depositors.

So — with the local banking scene now purged of criminality, one hopes — two sets of factors are setting Mr Nicolle's agenda.

First, there are external developments: such as the convergence of international banking supervisory regime, symbolised by the US and British attempts to standardise their capital adequacy regimes.

Under the 1986 Banking Ordinance, a new set of capital requirements is due to come into force in September 1988 — and there is room for controversy here at a time when perhaps 20 to 25 registered DTCs could have a problem with the ratios Mr Fell has proposed.

Also into this category of external factors fall tax issues. In May, it emerged that the Japan National Tax Agency was proposing to bring overseas subsidiaries of Japanese banks into its tax net — a move which in theory could impact severely on the Hong Kong-registered Japanese banks, assets of which had swollen by last December to a huge HK$980bn.

Mr Nendick has been unwilling to comment — because only sketchy information about the proposals has so far reached Hong Kong. "I think we're not quite as worried as some Japanese banks think we ought to be," he says.

The second set of factors is internal to Hong Kong. Mr Fell has been saying for some time that the territory is heading through a process of rationalisation in the banking industry, as sharper competition squeezes out weaker middle-ranking banks oriented towards retail activities.

The Government had just two mechanisms — apart from old-fashioned moral persuasion — which it can use if it wants to smooth out that process to maintain confidence in the system.

First, it has the kind of banking ordinance powers which allowed it, for instance, to put Jardine Fleming, the merchant bank, into the job of managing the troubled Union Bank in 1986.

Second, it has the old Hong Kong Association of Banks interest rate agreement, a legalised rate cartel set up in the 1960s to protect the deposit base smaller banks. Commercial, competitive factors are already undermining it — a process which Mr Nendick expects to continue. "I am happy to see gradual erosion — but I don't want to see it abolished," he says.

Nick Bunker

A section of the foreign exchange dealing room of the Hongkong and Shanghai Bank.

'The Sister Banks'

Deposits are soaring

FOR a "newcomer," Mr T. P. Shu has been in Hong Kong a long time. He took over as chief general manager of the Nanyang Commercial Bank in 1985, but his career in the territoty dates back to 1950, when as a young man of 20 he came here from his native Shanghai.

Mr Shu is one of the men who run the "sister banks"—the 13 Hong Kong banks owned by the People's Republic of China. Ironically, the impression has grown up that they are relatively recent entrants to the local scene—when, in fact, Mr Shu and his colleagues have mostly been there far longer than the average international banker.

That perception of their relative newness has arisen largely from the dash for growth in the last few years that has seen the sister banks (or "*Zhongying Jituan*" in Chinese) lift their share of the territory's total deposit base to about 18 per cent.

In 1986, their deposits soared by 50 per cent—double the industry's average growth rate—to HK$102m, acccording to estimates by Mr Henry Kwong, banking analyst with James Capel (Far East), the stockbroker.

Not surprisingly, bankers like Mr Shu tend to play down the extent to which they have built their business in Hong Kong. "We've come a long way, but not as far as the newspapers like to make out. We've still got a long way to go," he says.

Similarly, Mr Huang Deyan of the regional office of the PRC-owned Bank of China—which oversees the sister banks on Peking's behalf—says: "We do not seek a monopoly in Hong Kong."

He insists that China is firmly committed to helping maintain the territory as an international financial centre long after 1997.

"Hong Kong is a very small place, and it has limited value in itself," he says. "But Hong Kong is a bridge to the mainland."

That does not mean, he says, that China necessarily sees Hong Kong as ultimately the mainland's financial capital—standing in the same relation to Peking as New York stands to Washington.

"In the socialist system, we have many centres—Shanghai, Tianjin, Guangzhou. Perhaps Hong Kong is another one," he says.

Nevertheless, the sister banks have been through some big changes in the eight years of China's open door policies.

While their return on assets remains low by international standards (a comparison which the Bank of China thinks is rather unfair) Western bankers who come into contact with the sister bank's executives notice a new competitive edge even between the banks within the group.

One sign of this may be that the Bank of China no longer expects banks like Nanyang to direct their lending to finance China trade or Chinese development projects to specific, allocated areas.

Nanyang, for instance, had an initial responsibility to help arrange finance for venture in two cities in the north of China—but, recently, the biggest syndicated loan which it has helped to manage was for a $60bn facility for a float glass factory in one of the special economic zones between Hong Kong and Guangzhou.

Nick Bunker

Dennis Ting, right, chairman of Kader Industrial Co., checks toy production on the factory floor.

Toy production

World's leading exporter

SAM MUN TSAI is little more than a line of waterfront shanties in Hong Kong's new territories close to the border with China.

On the jetties, fishermen grind fishmeal. Behind them, Hakka housewives bend over black woks full of steaming noodles. From inside the shanties comes a clatter not unlike the shuffling of mahjong tiles. In many villages, the clatter might indeed have been mahjong tiles, but in Sam Mun Tsai, it comes from dozens of table-top pressing machines punching out sections of a toy car-racing track for Scalectrix sets.

Hong Kong's toy industry is a small-scale affair. The statistics say that Hong Kong has almost 2,200 toy factories, employing 53,000 people. But only 10 of those factories employ more than 500 people, and about 1,700 have less than 20—the heartland of Hong Kong's *laissez faire* economy.

From this modest foundation, Hong Kong counts itself the world's leading toy exporter. Sales in 1986 amounted to HK$11.6bn. It is the territory's fourth most important export industry, behind clothing, electronics and watches, and accounts for 7.5 per cent of all exports.

At the opposite end of the spectrum from villagers punching out pieces of racing track for a few cents a piece are manufacturing giants such as Universal Matchbox, which rescued Britain's Lesney Group in 1983, is listed on the New York Stock Exchange, and has annual sales of more than US$250m.

Also, substantial are groups such as Kader, which make Cabbage Patch dolls for Coleco of the US, and Applied Electronics, which makes electronic toys for US groups ranging from Fisher Price to Mattel and Kenner Parker.

Without any substantial commitment to research and development, these groups have prospered by virtue of their flexibility and speed in responding the new market trends or needs. In solitary contrast to these market leaders is Playmates Holdings, which bucked the trend of producing for major US names and set about building a niche in the US market for dolls marketed under its own "Playmates" name.

Playmates' experience provides a model for the riskiness of trying to "go it alone." Until the middle of 1986, the company was on every stockbroker's "avoid" list. Substantial funds had been ploughed into "Cricket," a chatterbov doll that was to be launched on the US market for the 1986 Christmas season. If the doll was a flop, then the impact on group profits would be direct and dramatic.

As good fortune would have it, Cricket is today the playmate of hundreds of thousands of children in the US. Such is its success that it ranked in February as the 7th most popular toy in the US.

Sales of Cricket now account for 70 per cent of company sales. The unhappy consequence of this success is that Playmates is more than ever a one-product, one-market company. The share price has rallied from the depths of January 1986, but is still a stock that most brokers handle with caution.

Newcomer

This autumn, Cricket will have a playmate of her own—a freckled young man called Corky. For Playmates Holdings, much rests on the fortunes of the Cricket-Corky partnership. While the emergence of Corky will not dilute the group's dependence on the US, where it sold about 85 per cent of its HK$606m turnover in 1986, it will at least have a second product to rest hopes on.

Along with Corky comes an even more sophisticated playmate, to be called Jill. She will cost around US$130, and is intended to captivate girls of up to 12. The Chan family that founded the group in 1964 is also diversifying into cheaper educational toys, and radio-controlled cars.

Without the giant partners to provide a marketing infrastructure in the US, Playmates has had to build its own. It has more than 60 staff in the US, working on product research and design and on marketing.

In a bid to dilute dependence on the US, the group has just sealed a partnership to market Cricket in Japan. Hopes rest on the possibility that Japanese parents will encourage their children to use Cricket—with her wide range of interchangeable conversation tapes—to boost their English language skills.

Similar opportunities lie ahead for the likes of Applied Electronics and Kader, which are making talking plush animals like Teddy Ruxpin for Worlds of Wonder, and Smarty Bear for Coleco, but there are few signs as yet that inroads have been made into Japan.

In another respect, Playmates is typical of other toy manufacturers in Hong Kong, as it has expanded, so a new factory has been built in mainland China close to Hong Kong's border. Labour costs over the border can be as little as one-quarter of those in Hong Kong, and workers can be laid off more easily during slack production seasons. This can be less inequitable than first might appear to be the case, since many workers own farm land, and are keen to take time off during harvest times.

David Yeh, who heads Universal Matchbox, says Hong Kong is now too expensive to act as a major manufacturing base. Four of the company's six factories are in China, with a fifth in the Portuguese territory of Macao.

Raymond Hung's Applied Electronics has also moved to China, with just 350 of a 6,000 workforce based in Hong Kong. Dennis Ting, head of Kader, has six of his factories on the mainland.

This manufacturing shift—a good example of the free market style of local entrepreneurs—is illustrated clearly by trade statistics, in which China has emerged over the past three years to become Hong Kong's second most important export market. Almost all of the sales—which amounted to HK$1.1bn last year—were toy parts and semi-manufactured toys. Hong Kong's re-exports of toys originating in China amounted to HK$1.9bn.

There is no accurate estimate of the number of workers employed in mainland China by Hong Kong manufacturers, but it runs into tens of thousands. While there is full employment in Hong Kong itself, and while local wage rates continue to be forced up because of competition between manufacturers for staff, companies are likely to turn with increasing frequency to partners in China to assemble products under joint venture, or processing agreements.

For these manufacturers, and an increasing number in the textiles and electronics sectors, the transfer of sovereignty to China in 1997 is no longer a matter of any great consequence. Their corporate fate is not only dependent on the fate of the likes of Teddy Ruxpin, Barbie Dolls and Cricket and Corky, but is already inseparable from that of the mainland.

For stockbrokers and prospective investors, this makes it almost impossible to sit comfortably with such companies. But in the meanwhile, with fingers and toes crossed hard, the companies appear to be going through a period of rapid profits growth.

David Dodwell

Trade and protectionism

Worries still persist

COMPARED WITH its competitor countries in South East Asia, Hong Kong has had a relatively easy ride from the US on matters of trade. Although its HK$63.4bn surplus with the US last year was larger than that of South Korea, the territory's free trade policy means it has been spared much of the pressure applied by Washington elsewhere for its trading partners to open up their markets to US imports and revalue their currencies.

Nonetheless, the problem of US protectionism still casts a long shadow over Hong Kong's otherwise scintillating trade performance. Though it is breathing a little easier than a year ago, worries persist, particularly about the threat of legislation to restrict the import of textiles.

At the same time there remains a lingering fear that slow progress by the US in reducing its US$170bn annual trade deficit will provoke an intensification of Congressional calls for protectionism, sucking Hong Kong back into the debate. Unlike the Reagan Administration itself, US Congressmen find it hard to understand that Hong Kong's commitment to free trade sets its apart from other countries in the region.

Meanwhile there is also a worry that this might at some stage spill over into renewed pressure for Hong Kong to revalue its dollar which has been linked at a favourable rate of HK$7.80 per unit of US currency since 1983. This level is acknowledged by most businessmen to have been the main driving force behind a surge of domestic exports which saw them rise by 19 per cent to HK$154bn last year and a further 32 per cent to HK$38.5bn in the first quarter of this year.

Hong Kong owes the lenient treatment it has received at the hands of the US to its free trade policy which makes it hard for Washington to find much to criticise in a market that is already one of the most open in the world. Hong Kong depends on trade for its economic survival and it has always made a virtue out of its lack of tariffs and active commitment to eschew protectionism.

Hong Kong Government officials believe that, at least as far as the Administration is concerned, they have basically won their case. As a result there is now somewhat less worry about the impact of US protectionism on the territory's economy than there was a year ago.

Foreign trade

Values in HK$bn	1984	1985	1986
Domestic exports	137.9	129.9	154.0
Re-exports	83.5	105.3	122.5
Imports	223.3	231.4	276.0
Trade balance	−1.9	+3.7	+0.6

Source: Trade Development Council

Domestic Exports

Major markets, 1986	Total (HK$bn)	Share (%)
US	64.2	41.7
China	18.0	11.7
West Germany	11.0	7.1
UK	9.9	6.4
Japan	6.2	4.0

Source: Trade Development Councils

Moreover, according to Mr Hamish Macleod, Trade and Industry Secretary, the tone of the political debate on trade in Washington has also improved. Though he says that Hong Kong can never be safe from protectionism, "the language and substance of the debate is a bit more rational." Congress was showing more of an inclination to work with the Administration which meant there was a good chance that the more extreme legislative proposals would be watered down.

However, he made a distinction between the omnibus trade bill which Congress is expected to pass this year and specific legislation on textile and footwear imports which passed the House of Representatives, albeit by a narrow majority at the end of April.

Hong Kong should be able to live with the omnibus bill that is now emerging, he said, although the small print might contain clauses making it easier for US firms to lodge dumping suils which would disrupt trade even if they were later lost.

He was, however, much less sanguine about the textiles legislation as there was a genuine risk that it would be passed. Where textiles were concerned, Congress was "not talking about free trade or fair trade. They're talking about protecting their share of the market."

The problem for Hong Kong is that its relatively small size and the openness of its economy leaves it with little bargaining power in the face of US pressure on trade. Unlike South Korea and Taiwan which can deflect such pressure by agreeing to open up their service sectors, Hong Kong has little or nothing to give away. All it can rely on is a jealously guarded reputation for practicing free trade.

For the time being it appears to have persuaded the US that its currency policy is a political necessity that should not be changed. The exchange rate has been linked since October 1983 when political worries about Hong Kong's future relations with China led to a massive outflow of funds from the territory and an inflationary plunge in the value of the currency. The peg is generally regarded in Hong Kong as a prerequisite for economic and social stability.

Meanwhile, Hong Kong continues to hope that the US will maintain its relatively benign attitude to Hong Kong. "They need a carrot as well as a stick." says Mr Macleod. Were Washington to target Hong Kong more aggressively on trade, it could end up undermining its efforts to open up other Asian markets. Countries like Taiwan and South Korea would conclude that there was little point in opening up their own markets if a free market territory like Hong Kong was as susceptible to US pressure on trade as they were themselves.

In fact one outcome of the latest round of bilateral trade talks with the US in April was a commitment by Hong Kong to work with the US in helping open up other markets in the region.

Although it is not clear how this will work in practice, Mr Malcolm Baldridge, US Commerce Secretary, gave Hong Kong a pat on the back in a speech to business during a recent visit.

"Hong Kong's lack of tariff and non-tariff barriers and its stringent intellectual property protection laws serve as an example to China and the other countries of the region," he said. "The efforts to open markets in other Asian countries, most notably Japan, mesh well with our own."

There is no escaping the fact, however, that Hong Kong remains vulnerable to protectionist sentiment in the US, particularly in the textle area. Hong Kong's exports to the US make up over 40 per cent of its total exports and a similar proportion of them are textiles.

Though China is now Hong Kong's largest trading partner in terms of total trade with a share of just over 25 per cent last year, the rapid growth in business over the past few years owes much to the fact that Hong Kong manufacturers are increasingly using plant in China for low cost assembly work. This is welcome as it provides some relief from wage pressure within the territory itself and signals a gradual integration of Hong Kong's economy with that of southern China, but will take a long time before Chinese business can offset Hong Kong's continuing dependence on the US.

"Ultimately it might," says Mr Jack So, executive director of the Trade Development Council. "But China is not a substantial end market. It cut down dramatically on consumer spending about two years ago and we can't count on China to spend that extra billion dollars a year."

Similarly, though exports to Europe and Japan are now growing strongly in the wake of the declining dollar, they do not yet make up a sufficient share of the total to alleviate dependence on the US.

Last year, when the US reviewed its generalised system of preferences (GSP) Hong Kong came out well compared with its Asian neighbours, winning a larger volume of concessions than before because of its free-trade approach.

But, says Mr So, "we are cautious that this may not be the continuing trend." Pointing to the new textile bill, he adds: "If that passes it would cause a lot of harm. That is our single greatest worry."

Peter Montagnon

Textile industry

Straining at the seams

TO SAY that Hong Kong's textile industry is straining at the seams might be an unfortunate turn of phrase, but it is one way of describing a sector that is working flat out with booming exports and record profits.

Textiles have always been a mainstay of the Hong Kong economy and, like other sectors, it has been helped over the past 18 months by the relative weakness of the Hong Kong dollar against other currencies. *Equally, if not more important,* the territory's textile manufacturers have sucessfully pushed through an image of quality in international markets which has allowed them to upgrade their production and raise the value-added content to their production in a climate of continuing quota restrictions especially on sales to the US.

So buoyant is the mood in the textiles market that industry executives cannot bring themselves even to worry too seriously about the prospect of legislation now under scrutiny in the US Congress to limit textile imports still further. Though they are aware of the havoc the legislation would cause for Hong Kong and its economy, they simply do not think the Bill will pass.

"The risk is certainly there, but the possibility of passage is not really all that great," says Ms Eleanor Wong, of Hongkong Knitters.

In the short run textile manufacturers are concerned about the shortage of labour that has developed in Hong Kong's booming economy. Though wages are rising fairly rapidly which is putting pressure on costs, many textile factories still have empty places for which they simply cannot find employees.

Nor is it as easy for textile manufacturers to shift parts of the production process into lower cost plant in neighbour*ing Southern China as it is for* their counterparts in other industries.

Since the new Multi-Fibre Agreement was struck last year the US has imposed much more stringent rules on local content for textile products. Whereas in the past it was possible for manufacturers of sweaters to import knitted panels from China and simply stitch them together in Hong Kong this process is now increasingly carried out within the territory itself after a restructuring which saw investment by the industry surge by 170 per cent last year and the widespread introduction of automated knitting machinery into Hong Kong.

A measure of the degree to which Hong Kong textile manufacturers are now pushing up against their volume limits on textile exports to the US is the record price of quotas on the secondary market. Though government officials say that the quota market is an imperfect one subject to quite large distortions and fluctuations, companies say they are spending more than ever before on quotas.

Novel Enterprises, one of the leading manufacturers, says it expects to spend HK$15m on quotas this year, 50 per cent more than in 1986.

These high prices do not worry manufacturers particularly, however, as they have generally moved into up-market *lines where the cost of the quota* can quite easily be absorbed. Mr Ira Kaye, managing director of Lark International, says Hong Kong garment manufacturers are now in the upper 30 per cent of the price range for clothing sold in the US.

But to expand business further textile manufacturers are having to look in three different directions. The first is a continuation of the upgrading process with the promotion of designs created by local designers; *the second is the develop*ment of new markets in countries like Japan where there are no textile quotas, and the third is the establishment of production facilities abroad.

"If you want to trade up," says Mr Kenneth Fang of Fang Brothers, "there's a limit to what you can do. If you are not designing your own goods, you're mainly a so-called contractor, making goods according to specification."

Hong Kong has begun to nurture its own designers, but this is inevitably a slow process. Mr Kaye says: "If there were two garments on the rack and one said Christian Dior and the other Angela Lam, people would buy Christian Dior even though the other was a better garment."

Meanwhile textile exporters are taking heart from a surge of exports to Japan, which they claim testifies to Hong Kong's growing reputation for quality. *Also many are looking to* carefully chosen sites abroad to expand volume.

Novel Enterprises manufactures in Mauritius where there is a local Chinese community and which has preferential access to European markets because of the Lome Convention. Mr Fang has plant on low-wage Thailand as well as Panama and Ireland for the US and European markets respectively.

Non the less there is no escaping the shadow of US legislation which hangs over the industry and about which the Government remains particularly worried. Warning that a Textiles Bill would "stifle" the Uruguay round of multilateral trade and Industry, *says "there is still a* real danger of textile legislation. We never underestimate the pressure of the textile lobby in the US. It's often said to be number two to the gun lobby."

Peter Montagnon

Electronics

Competition intensifies

THE POLICY of non-intervention in Hong Kong's economy means that it has never had an industrial policy as such. However, in the increasingly competitive and technologically advanced world of electronics this is an approach that is beginning to be questioned.

The shift in thinking begins with the realisation that Hong Kong will always need a strong manufacturing base to provide employment for its 6m people and *goes on to* conclude that the territory would be in danger of losing its competitive edge to countries such as South Korea and Taiwan if it were unable to upgrade its industrial processing and turn out more original, technologically advanced goods. The Government has concluded that it must pay more attention to the infrastructure of the economy if this process is to succeed.

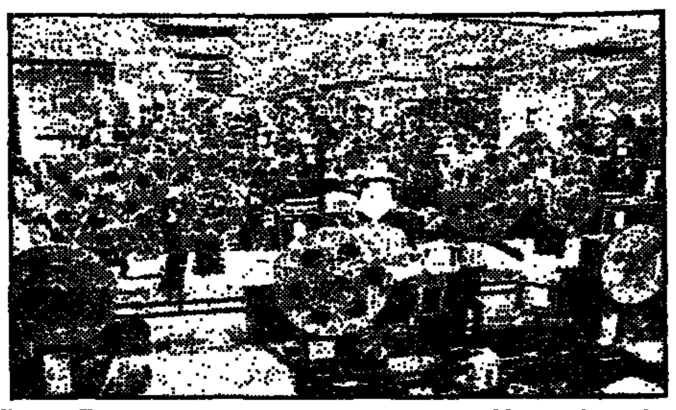
The days have long since gone when Hong Kong manufacturers *could switch overnight from* wigs to plastic flowers if the bottom fell out of the wig market. Hong Kong's involvement in electronics means that it must keep up with the pace of world technological advance.

This is no easy *task for* an industry which still consists largely of small companies doing assembly work for overseas manufacturers. By world standards, Hong Kong's electronics industry is still unsophisticated. Companies spend only a small proportion of their turnover on research and development; very few are producing original products; and most still aim for a short term return, while ignoring the need for a medium term product development strategy.

While Taiwan and South Korea have been putting government money into developing their industries, Hong Kong has lagged behind.

"We haven't got the research and development because we haven't got defence, aerospace, capital-intensive industries," says Mr K. Y. Yeung, Director of Industry. Unless it can keep pace with technological advance, Hong Kong's electronics *industry could suffer a serious* loss of market share in the medium term. Its products would be too unsophisticated to be produced economically (wage levels in the territory are already the second highest in Asia after Japan).

Yet this still leaves the Government in something of a dilemma. Because it is wedded



Tommy Zau's Electronic Devices plant, making video equipment— but is this sufficiently 'high tech' to compete with advanced products from other countries?

to the concept of a free market, it is reluctant to intervene directly in the industry. Subsidisation which favours one indust*rial sector over another and dis*torts investment decisions is still anathema to Hong Kong's planners.

What they are trying to do instead is to improve the infrastructure so that the electronics *industry can flourish. Basically,* this means paying more attention to the education and training of electronics engineers, providing advice through the Government's Productivity Council and other back-up services such as information and technical advice on foreign product standards through its Standards and Calibration Laboratory, and promoting inward foreign investment so as to gain technology transfer.

By and large, businessmen seem reasonably happy with this degree of involvement. Mr Dennis Ting, Chairmain of the Federation of Hongkong Industries says: "As manufacturers, we would develop whatever the market would accept rather than have anybody *tell* us what to do."

One success story for this policy has already been in foreign investment with technology transfer. Helped by a surge of interest in Hong Kong *by Japanese companies looking* for a cheaper manufacturing base, foreign investment has been booming. Last year the value of projects for which the industry department provided direct assistance doubled to HK$515m, and they included the establishment by Motorola of an ASIC (application specific integrated circuit) design centre to provide design services for the Hong Kong and the Asia Pacific Region.

Not all industrialists are convinced, however, that research and development spending is the key to the future. Mr Tommy Zau, a portly and blunt millionaire who makes transistors and dials at his Electronic Devices plant in Kwai Chung in *the New Territories, says it is* not the answer.

"You need a lot of doctors sitting there doing nothing. We cannot afford it. We don't have the facilities and we don't have the education."

Instead, he believes there is much more to be gained by investment to improve productivity, cut costs and improve the quality of production.

"We call this improvement; we don't call it research," he says.

Mr Zau says he is planning investments in automated machinery of between HK$100m and HK$200m which will help him halve his present 1,800 workforce and make a substantial difference to costs. With the labour market *tight* in Hong Kong wages have been rising rapidly, and this has already forced a relatively high degree of automation, at least on the larger companies which can afford the investment.

Another approach is reflected by Gold Peak Industries whose managing director, Victor Lo, says "we believe we have a bigger chance of success by tying up with bigger overseas companies." Gold Peak already has *a joint venture with Philips for* the manfacture of car radios in China and one with Shinwa of Japan for cassette mechanisms.

Mr Lo says the advantages of joint ventures include technology transfer, a commitment by the partner firm to buy the production, the right to market the partner firm's goods in China, and sometimes access to technical and management personnel which are short in Hong Kong.

His is one of the firms making use of the cheap labour now available in China "without which most of the low-end electronics production would have died by now."

Attractive though manufacturing is in China because of its low wage base, it still poses a number of problems including that of quality control and management. Moreover, the stringent local content requirements imposed by the US as a criterion for eligibility for its generalised system of preferences (GSP) mean that manufacturers can risk losing tariff concessions on their products.

Yet for many it has been a way of offsetting the expensive labour costs in Hong Kong.

While no one disputes that Hong Kong's electronics industry is in danger of falling behind that of its competitors in South East Asia and needs to be upgraded, there is still little consensus about how effective or fast the process now under way will be. Most companies are still engaged in straightforward assembly work and Hong Kong has developed few products of *its own, a notable exception* being the display screen system developed by the BSR group which was used to display spectator information at the America's Cup races in Perth last year.

What is clear in many people's minds, however, is the need for the process to continue. Mr Yeung of the Industry Department explains why: "Over time, unless we upgrade the efficiency of our output, manufacturing is likely to shrink and manufacturing wages will decline because we have got to stay competitive. When that happens there's going to be severe social polarisation."

Helped by the weakness of the US currency against the yen, the electronics industry is currently enjoying boom conditions, but Mr Lo believes it would be an illusion to think that this means the corner has been turned.

"Our growth is not market growth," he says. "It's purely a shift of workload from one place to another."

Peter Montagnon

Plenty of scope for the Hong Kong business visitor

Launch point for a breakaway

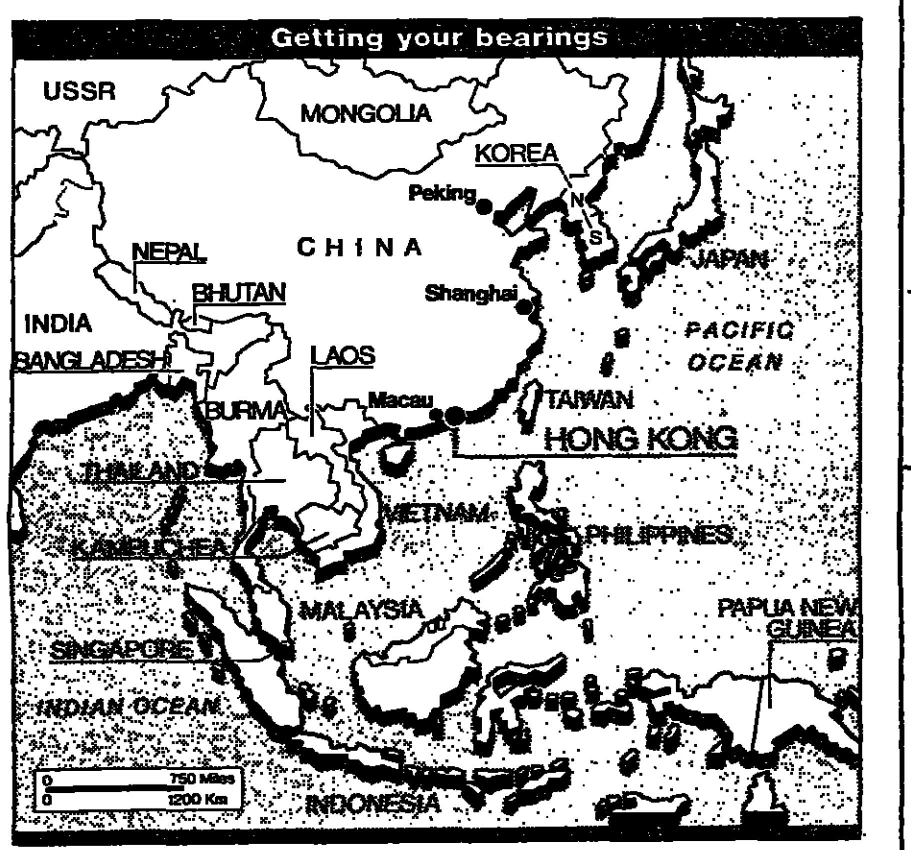
THE PACE of working life in Hong Kong is reputed to be frenetic. This may be a self-serving myth put about by the territory's 50,000 expatriates, but it is a reputation that few seem willing to challenge. Combine this with the claustrophobia of living in a "village" penned in on all sides by communist China, and you have the ideal setting for the passionate study of breakaway weekends.

Joining the generously paid expatriate population in the quests for privacy, sunshine and coral beaches are Hong Kong's increasingly affluent "chuppy" class — the Chinese equivalent of "yuppies" — and a steady flow of visiting executives who bring along their husbands or wives and use Hong *Kong as a holiday springboard after a working* visit to the territory.

As far as locally based expatriates or chuppies are concerned, the periods of massive exodus are Chinese New Year, Easter, and Christmas. Airlines in the region are creaking at the seams during these periods to get holidaymakers to the most popular destinations, and many would suggest you book up to a year ahead.

If you avoid these lemming rushes, many short breakaways can still be arranged fairly spontaneously, taking you to beaches that will knock spots off anything Europe or the Mediterranean can offer, to luxuriant golf courses that are as empty as Northumberland beaches in November, to coral reefs that compare with the Red Sea or the Barrier Reef — and all for prices that are modest by the standards of European or American travel.

Here are a handful of the choicer places to breakaway. Essentially, the packages are long weekends. They offer sand, sun, watersports, and wonderful hotels. Visits to places like Langkawi in Malaysia, the Maldives in the Indian Ocean, or New Zealand, had been ignored either because they would take more travelling time than is sensible for a weekend getaway, or because the destination itself *would deserve more than a weekend to do it* justice: Sabah and Sarawak.



Kota Kinabalu

THE PERFECT getaway has to be the Tanjung Aru Hotel in Kota Kinabalu, capital of Sabah on the North Borneo coast. Kota Kinabalu is just two hours flying time from Hong Kong, and the hotel is a mere 10 minutes from the airport. It has a marvellous local character, yet offers luxury that even blue-rinse American ladies would find hard to complain about.

Unlike nearby countries such as the Philippines or Peninsular Malaysia, which are pes*tered by rainy seasons or typhoons, Sabah has* a wonderful tropical climate. Adjacent to the hotel are a string of jungly islands surrounded by coral reefs. A three hour ride can take you up Mount Kinabalu, South East Asia's highest mountain, into jungle parks — a haven of tropical plants and wildlife.

Weekend packages, offered by Cathey Pacific and Malaysian Airlines, are arranged through a company called Archer Travel, and cost about HK$3,100 a person.

Sarawak

Adjacent to Sabah is the equally tantalising eastern Malaysian state of Sarawak. Harder to get to, but by all accounts worth the effort even for a long weekend, is the Sheraton Damai Resort Hotel, which is a three-hour drive from Kuching, Sarawak's capital.

The hotel is spanking new, sits on its own coral beach, and is equally well-placed for trips *into the jungle interior*, to see local tribes such as the Ibans, still living in traditional longhouses.

Visits would normally involve one night in Kuching. You would fly on Malaysian Airlines, and a long weekend would cost around HK$3,400 per person.

Peninsular Malaysia

PENINSULAR MALAYSIA itself is still surprisingly free of the tourist herds. With direct flights from Hong Kong to Penang and Kuala Lumpur, a wide range of weekend options are open — from the Batu Ferringhi Beach in Penang, or the offshore island of Langkawi, to the genteel and temporate cameron highlands, or in the south, Mwacca.

Kuala Lumpur itself has strong attractions; for golfers, the Hyatt Saujana, takes a lot of beating.

Thailand

THE TROPICAL island of Phuket remains the leading tourist destination for Hong Kong's weekenders. Many thus complain nowadays that it has lost its charm, but this need not be the case. The new Amanpuri Hotel, which is the inspiration of the same man that established Hong Kong's recent hotel, promises to offer charms and luxuries that take some beating, but it is also likely to be stunningly expensive. The yet-to-be-completed Dusit Laguna looks breathtaking, while the Phuket Yacht Club and the Meridien remain favourites. For something that very few have yet latched onto, the Station Hotel in the ancient fishing town of Huahin offers an excellent weekend opportunity. *Huahin is three and a half hours drive south* from Bangkok, but can also be reached by train. It was "discovered" in the 1920s by Thailand's then King Rama VI, and still today has a royal summer palace. The Station Hotel, first built in 1923, drips old world charm, and has just been restored to its original glory— *with 1980's comforts*—by the French hotel group, Sofitel.

Philippines

THE PHILIPPINES is almost commuting distance *from* Hong Kong, so very little privacy is going to be won there. Puerto Azul and Punta Baluarte are two hours from Manila, are beautiful resorts, and can be reached, for example, on a Thomas Cook package for HK$2,230 for a four-day weekend.

CEBU offers attractive corals, and diving opportunities, but needs a change of aircraft in Manila. A resort like the Tambuli beach is just minutes from Cebu Airport, while the Argao beach resort takes a three-hour drive from Cebu City. But to escape effectively, you would need to head for somewhere like Borocay, which has the deserted white beaches and azure sea that one comes to expect only in photographs in travel brochures, but needs a *more adventurous approach*. Thomas Cook offers a HK$2,800 weekend package to Friday's beach resort, which it describes as "a well-run family show."

Bali

BALI, like Phuket, is so much part of the mythology of tourism in the orient that many baulk at joining the hoards travelling there. But even old Asia hands insist that tourists have failed to spoil this extraordinary Indonesian island.

Both Cathay Pacific and Garuda now offer direct flights, so weekend visits are now possible. *On the long-established Sanur* Beach, the Oberoi, the Sol and the Hyatt remain the favourites, according to Cathay Pacific's tour manager, Elizabeth Rhodes.

She says, however, that Kuta beach, which faces west into the sunset and is a longer and lovelier beach than Sanur, is no longer the hippy sanctuary that it was for many years, and now has a number of excellent *hotels*. The Nusa Dua beach, only just opened up by the tourist authorities, faces the dawn like Sanur, but is said to be excellent. Cathay's discovery tours, and Thomas Cook travel packages can take you to the Nusa Dua beach resort for three nights at a cost of just under HK$3,800 a *person*.

China

FROM a tourist point of view, China is hard work. China's national airline is erratic, as is the quality of food and hotels. But this country has a gripping fascination for many, and offers a wide range of breakaway opportunities.

Countless standard packages can take a visitor through Peking, Shanghai, and Canton, or to Xian to see the recently-unearthed terracotta army of Emperor Qing Shi Huangdi, or to Guilin to see the astonishing Karst Mountains that adjoin the Li River.

More original options are to take a ferry to *Macao, or to one of the towns on the western* seaboard of the Pearl River, like Jiangmen, and travel at a leisurely pace north towards Canton. The old fortified villages with their now-crumbling watchtowers, the luxuriant rice-paddy country of the delta, and striking mountain outcrops, make for a fascinating journey.

From Canton, cruise liners provide a regular overnight ferry service back to Hong Hong, and they have a wonderful "journey down the Nile" ambience to them. In addition, they bring you into Hong Kong's panoramic harbour at dawn, which can be breathtaking even for people long familiar with the territory.

Another out-of-the-ordinary option would be to take a weekend break to Hainan, China's only tropical island. There are overnight ferries from Hong Kong, and flights that are routed through Canton. The island has a very distinctive culture, has a marvellous coastline and mountain scenery, and a chequered *relationship with Peking.*

Traditionally, it was the place of exile for out-of-favour mandarins, or of refugees from political oppression on the overthrow of any dynasty. Unlike most parts of China, the local culinary traditions remain strong, and fresh fish, vegetables and tropical fruits are plentiful.

A third interesting option is to take a cruise on the *SS Jinjiang* to Shanghai, via Xiamen. This cruise ship is luxurious by Chinese standards; it is not state controlled, and therefore has a sense of market responsiveness. Cruises leave Hong Kong at approximately weekly intervals, and take two days.

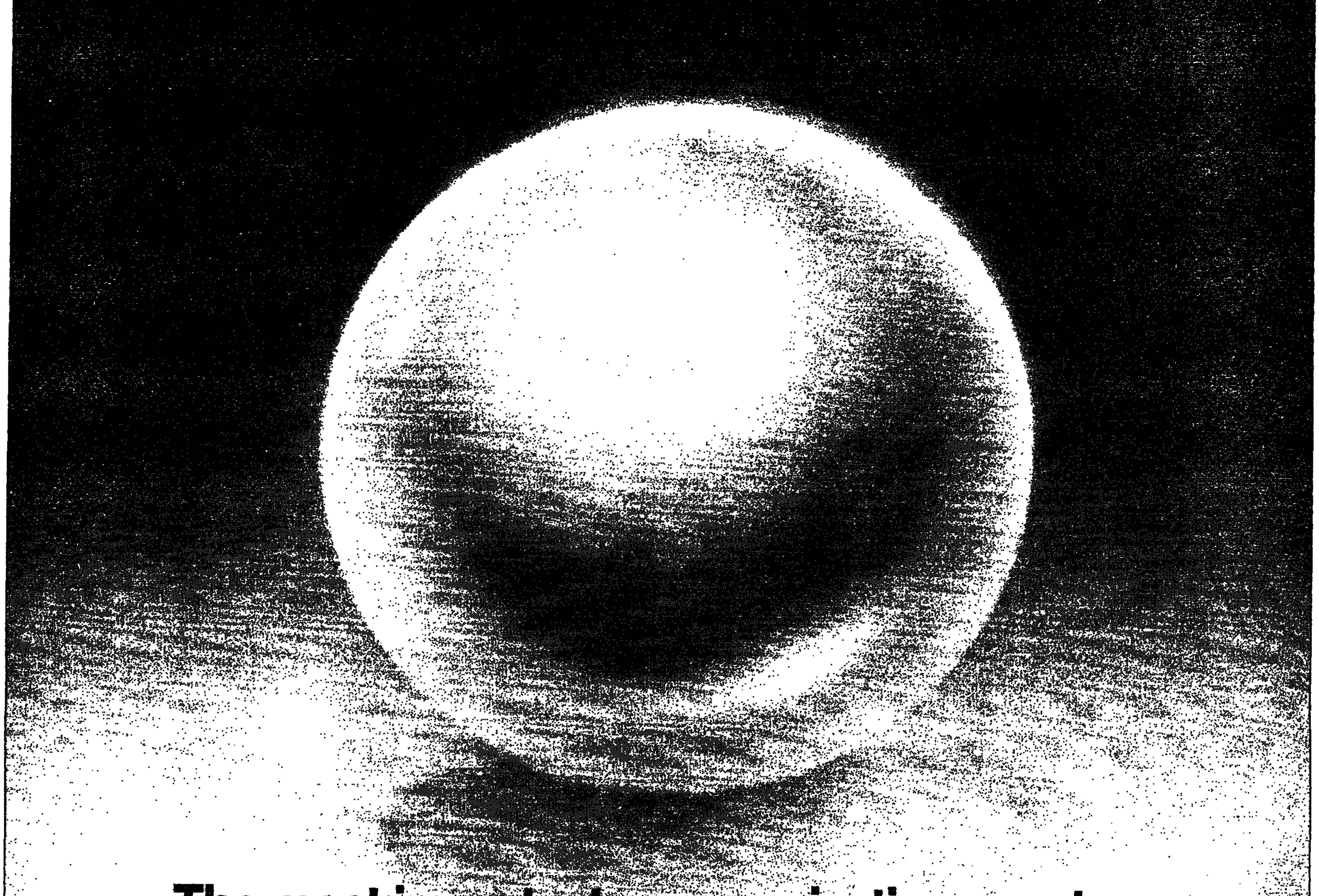
If you return by air (Cathay Pacific operates flights to Shanghai) a weekend break in Shanghai becomes possible.

It is worth repeating that holidays in China are for the robust and the patient visitor. If you prefer to slump onto a towel on a coral beach *and concentrate on being* basted in the sun after weeks of exhausting and enervating business in Hong Kong, then any Chinese destination would be a waste of time. Visits are likely to become easier once the fledgling Hong Kong airline, Dragonair, wins rights for scheduled services to an array of provincial cities, but it is still uncertain when these rights will be won. Sino-British aviation *talks* are scheduled for early next month.

A further postscript on all of the ideas outlined here is that no one can reasonably expect to go to tropical islands surrounded by tropical forests without preparing for luxuriant insect life. Most modern hotels provide the air*conditioning, and the room* hygiene that keeps animal life out of doors, but they can do little more without destroying the very attractions that draw tourists to such places. There will be stick insects on doors, geckos scrambling on walls, and lumbering cicadas flying from the trees at dusk. It is more important to note that there will be mosquitos, therefore an effective insect repellant is essential for a comfortable holiday.

David Dodwell

"The Big Pearl"



The most important communications centre in Asia is the Pearl of the Orient.

Despite its diminutive size, Hong Kong is one of the most sophisticated communications centres in the world with the highest density of telephones per capita in South East Asia.

Keeping the people and businesses of Hong Kong in touch with each other and the rest of the world takes some of the world's most advanced communications systems. Developed and built by the Cable and Wireless Group they make Hong Kong the most reliable and cost-effective communications centre in Asia.

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